Supreme Court, U.S.
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Case No.

In the
United States Supreme Court

DONALD E. NELSON,
Petitioner,

v.

ADAMS USA, INC.
AND
APEHEAD MANUFACTURING, INC.
Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

Whether a United States District Court, consistent with the Federal Rules of Civil Procedure and the due process clause of the Fifth Amendment to the United States Constitution, can assess attorneys' fees against a non-party pursuant to 35 U.S.C. § 285 without first securing service of process upon, and jurisdiction over, that non-party.

Whether a non-party shareholder/officer of a corporate party which lost a patent infringement lawsuit on the merits is subject to an award of attorney fees pursuant to a statute (35 U.S.C. § 285) that authorizes an award of attorney fees to the "prevailing party" but makes no reference as to the party who must pay the award.

PARTIES

In addition to the parties listed in the caption, the following were parties to the proceedings below:

Ohio Cellular Products Corporation; and
All American Sports Corporation.

Ohio Cellular Corporation does not presently have a parent corporation that owns more than 10% of its shares of stock. All American Sports Corporation is owned, in its entirety, by Riddell Sports, Inc., a publicly held corporation.

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The April 26, 1999 opinion of the Federal Circuit Court of Appeals, whose judgment is sought to be reviewed, is reprinted in the separate Appendix to this petition at pp. 17-31. The Federal Circuit Court of Appeals' denial of petitioner's motion for rehearing appears at pp. 40 of the Appendix. The decisions of the United States District Court for the Northern District of Ohio (Western Division) that the Federal Circuit Court of Appeals reviewed are reprinted in the Appendix at pp. 41-81.

JURISDICTION

The judgment of the Federal Circuit Court of Appeals was entered on April 26, 1999. On June 3, 1999, the court of appeals denied petitioner's request for rehearing. Petitioner invokes the jurisdiction of this court pursuant to 28 U.S.C. § 1245(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

This case involves the second to last clause of the Fifth Amendment to the United States Constitution which provides:

> No person shall be * * * deprived of life, liberty or property without due process of law * * * .

This case also involves interpretation and application of 35 U.S.C. § 285 which provides:

> The court in exceptional cases may award reasonable attorney fees to the prevailing party.

Finally, this case involves interpretation and application of the following Federal Rules of Civil Procedure:

> Rule 15(a): A party may amend the party's pleading once as a matter of course at any time before a responsive pleading is served or, if the pleading is one to which no responsive plead-

ing is permitted and the action has not been placed upon the trial calendar, the party may so amend it at any time within 20 days after it is served. Otherwise a party may amend the party's pleading only by leave of court or by written consent of the adverse party; and leave shall be freely given when justice so requires.

Rule 59(e): Any motion to alter or amend a judgment shall be filed no later than 10 days after entry of the judgment.

STATEMENT OF THE CASE

This case involves an unprecedented procedure by which the district court amended a $178,888.51 judgment to include as "an additional party against whom judgment is entered" a non-party who was neither served with process nor afforded the opportunity to defend, on the merits, the litigation that resulted in the judgment.

On May 19, 1994, Ohio Cellular Products Corporation ("Ohio Cellular") filed suit against respondents Adams, USA, Inc. and Apehead Manufacturing, Inc. In that lawsuit Ohio Cellular alleged that it was entitled to monetary and injunctive relief on account of respondents' having violated two patents licensed to it. Respondents answered and asserted as a defense the alleged invalidity of the patents. Respondents also counterclaimed against Ohio Cellular and therein sought a declaratory judgment that the patents under which Ohio Cellular filed the lawsuit were invalid. In addition, respondents sought by way of their counterclaim attorneys' fees from Ohio Cellular.

Finally, respondents filed a third party complaint against All American Sports Corporation, the patent owner who had licensed the two patents in question to Ohio Cellular. As with their counterclaim, respondents' third party complaint against All American Sports sought a declaration that the two patents were invalid and further sought attorneys' fees from All American Sports as well.

On October 11, 1995, finding the two patents in question to be invalid for "lack of novelty," the district court granted summary

judgment in favor of respondents. Thereafter, pending Ohio Cellular's appeal from the granting of summary judgment, respondents filed with the district court a motion for attorneys' fees. Specifically, respondents sought attorneys' fees pursuant to 35 U.S.C. § 285, which provides the following with respect to patent infringement lawsuits:

> The court in exceptional cases may award reasonable attorney fees to the prevailing party.

Respondents, as a basis for their motion for attorneys' fees, claimed that Ohio Cellular had engaged in (1) vexatious and unjustified litigation by filing the infringement action; and (2) inequitable conduct before the United States Patent and Trademark Office ("PTO") when, in prosecuting the two patents, its sole shareholder and president, petitioner Donald Nelson, allegedly failed to disclose the existence of known prior art. On February 12, 1997, shortly after the Federal Circuit Court of Appeals had affirmed its granting of summary judgment in favor of respondents, the district court, ***without hearing***, granted respondents' motion for attorneys' fees. [Appendix at p. 41]. Although the court rejected respondents' claim that the litigation was vexatious and unjustified, it ruled that Ohio Cellular had engaged in misconduct before the PTO and therefore, determined that there were "exceptional circumstances" warranting the imposition of attorneys' fees in accordance with 35 U.S.C. § 285. Specifically, the court ruled that petitioner (as Ohio Cellular's president) failed to disclose to the PTO the existence of a patent ("the Marc 037 patent") that anticipated the two patents, the alleged infringement of which Ohio Cellular claimed in the pending lawsuit. The basis of this finding of non-disclosure was the fact that back in the 1980's petitioner, although unaware of the Marc 037 patent itself, had observed portions of a process (the "Foam-Aid" process) that may have been subject to the Marc 037 patent. Although there was not one shred of evidence that petitioner (or anyone else at Ohio Cellular) was actually aware of the Marc 037 patent itself, the district court found that Ohio Cellular knew of its existence and intentionally failed to disclose it to the PTO.

Subsequently, Ohio Cellular filed a motion for reconsideration upon which the district court conducted an evidentiary hearing. Thereafter, on September 25, 1997, the court denied the motion for reconsideration, finding that even if Ohio Cellular had not known of the existence of the Marc 037 patent, it had engaged in inequitable conduct by allegedly failing to disclose the "Foam-Aid" process (portions of which petitioner previously had observed in the 1980's).[1] [Appendix at p. 57]. The district court, in denying the motion for reconsideration, granted respondents thirty days within which to submit evidence concerning the amount of attorneys' fees that respondents had incurred in defending the infringement action.

In ordering the respondents' submission, the court also verbally advised counsel for the parties to attempt to resolve the attorneys' fees issue without further intervention by the court. In response, Ohio Cellular's then trial counsel, Richard M. Kerger, wrote counsel for respondents and (unbeknownst to petitioner) stated:

> I am writing to potentially save you some time. The fact is if the attorney fee award exceeds a very limited amount, you will not collect it because the company [Ohio Cellular] will be liquidated. If you wish to discuss resolution on a nominal basis, please let me know.

Subsequently, on October 27, respondents' counsel submitted their declarations regarding the amount of the fees being sought. In conjunction therewith, they submitted a "Petition for Attorneys' Fees" in which they sought to justify the time they expended as well as the fees being charged for that time. Although the district court had ruled that only the plaintiff (*i.e.*, Ohio Cellular) was liable for the fee award, respondents' counsel, in their petition, sought a fee award from the third party defendant, All American Sports Corporation. Despite the fact that, at the time of submitting their peti-

1. This finding is not supported by the record. The filings that Ohio Cellular made with the PTO in prosecuting one of the patents clearly identified the process that petitioner had observed at Foam-Aid back in the 1980's.

tion, respondents were well aware of Ohio Cellular's possible liquidation and that they may need to look to another party to collect the fee award, respondents made no mention of Kerger's October 13 threat. Nor, did they argue or even suggest at that time that there was personal liability on the part of petitioner.

On January 20, 1998, the district court rendered its monetary award of attorneys' fees. It awarded respondents $178,888.51 in attorneys' fees but held that only Ohio Cellular, not All American Sports, was liable for those fees. [Appendix at p. 66]. Dissatisfied with the fact that Ohio Cellular was uncollectible, and that the trial judge had not assessed fees against the only collectible adverse party, All American Sports, respondents began to look elsewhere for collection of its fee award. They did so through a very unusual and unprecedented procedure. First, they sought leave to amend their complaint to join, as a third party defendant, petitioner who, up to that date, had ***not*** been a party to the litigation — a practice that, in and of itself, was not that unusual. However, not only did respondents seek to amend their complaint and join petitioner, but they also sought the extraordinary relief of amending, under Fed. R. Civ. P. 59(e), the attorney fee judgment to include as a judgment debtor not only Ohio Cellular, but also petitioner. Respondents sought this extraordinary relief notwithstanding the fact that petitioner had not been served with process, and had not, up until that date, been afforded the opportunity to defend the fee award claim and assert defenses which, although unavailable to Ohio Cellular, were available to him individually.

Ohio Cellular opposed the motion on the basis that there was no evidence to support it (respondents had failed to submit any evidentiary materials) and that to amend the judgment *ex post facto* to include petitioner as a judgment debtor violated the due process provisions of the United States Constitution. Notwithstanding the fact that petitioner's sole participation in the patent infringement proceedings was to testify as a witness and that he had been, by court order, specifically excluded from participating in, and having access to, discovery, the district court found that petitioner alleg-

edly had been the Ohio Cellular officer responsible for the alleged "inequitable conduct" before the PTO and had been "personally involved" in the prosecution of the infringement action. [Appendix at p. 74]. On the basis of those unsupported findings, the court granted respondents "leave to amend their third party complaint to name [petitioner] as a third party defendant in his individual capacity." [Appendix at p. 70]. Amazingly, respondents ***never*** amended their third party complaint and ***never*** joined petitioner as a third party defendant. More importantly, there being no third party complaint naming petitioner, ***there never was any service of process upon him.*** Yet, notwithstanding the lack of an amended third party complaint naming and joining petitioner, the district court amended the fee award judgment and included petitioner "as an additional party against whom judgment is entered." [Appendix at p. 70]. Thus, the respondents were able to obtain a money judgment against petitioner without his ever having had the opportunity to file and serve an answer or defend on the merits. By doing such, the respondents effectively deprived petitioner of affirmative defenses that he, as an individual, possessed and would have been entitled to present had he been afforded the opportunity to file an answer. These defenses included, among others: (1) lack of personal jurisdiction (petitioner is a citizen of Michigan); (2) statute of limitations (respondents sought leave to join petitioner long after he allegedly engaged in the inequitable conduct that formed the basis of the fee award); (3) laches; and (4) unclean hands.

Petitioner timely filed a notice of appeal to the Federal Circuit Court of Appeals which, in a two to one decision, affirmed the fee award judgment against petitioner individually. Judge Newman, in her dissenting opinion, noted that the procedure employed by the district court not only was "unusual" but indeed, was "unprecedented" and constituted a "breach of due and fair process." [Appendix at pp. 32-33].

Notwithstanding the unprecedented nature of its decision, the court of appeals, on June 3, 1999, denied petitioner's motion for reconsideration. Petitioner now seeks review by this Court. In addition, because the judgment rendered against him is void for lack of service of process, petitioner also has pending before the district court a motion for relief from judgment under Fed. R. Civ. P. 60(b)(4). For the reasons that follow, this Court should accept review of this case.

REASONS FOR GRANTING THE WRIT

I.

This Court Should Grant Certiorari so that it Can Delineate the Limits that the United States Constitution Places Upon the Liberal Amendment and Joinder Provisions of the Federal Rules of Civil Procedure.

A. Because the Court of Appeals Sanctioned a Substantial Departure from Well Recognized Constitutional Principles of Due Process, Petitioner Is Entitled to a Writ of Certiorari.

Petitioner does not here challenge the liberal pleading provisions of the Federal Rules of Civil Procedure, and does not challenge the district court's decision to grant respondents leave to (1) amend their complaint (2) join petitioner as a new party defendant and (3) do so after judgment had been rendered. Doing such, even post-judgment, clearly is consistent with the purpose and spirit of the Federal Rules of Civil Procedure. What petitioner does object to is the district court's having rendered judgment against him without affording him the opportunity to defend on the merits and to raise defenses not raised by Ohio Cellular. By rendering judgment against petitioner without affording him the opportunity to defend on the merits, the district court clearly acted inconsistently both with the Federal Rules of Civil Procedure and with the Fifth Amendment to the United States Constitution which provides that "no person shall be* * * deprived * * * of property without due process of law." This court repeatedly has held that, at a minimum, due process requires notice and an opportunity to be heard. *Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306 (1950); *Fuentes v. Shevin*, 407 U.S. 67 (1972) (and cases cited therein). The district

court denied petitioner both of these due process requirements.

In *Zenith Corporation v. Hazeltine*, 395 U.S. 100 (1969), the district court did precisely what the district court did in the instant case. It extended a judgment rendered against a corporation to include the corporation's owner notwithstanding the fact that the owner was not a party to the lawsuit, just as petitioner was not a party to the lawsuit in the instant case. This court sustained the court of appeals' reversal of that decision and held:

> It is elementary that one is not bound by a judgment in personam resulting from litigation in which he is not designated as a party or to which he has not been made a party by service of process.

Zenith, 395 U.S. at 110.

In the instant case petitioner never was served with process or otherwise joined in the litigation in accordance with the Federal Rules of Civil Procedure. Rather, without his having been joined and served with process, the district court simply (1) by-passed the procedure for joining a new party and (2) amended the judgment rendered against petitioner's corporation to include the petitioner. The Federal Circuit Court of Appeals then placed its imprimatur on this practice. If these rulings are allowed to stand, a new practice will be established whereby parties can avoid litigating corporate veil issues on the merits by simply filing post-judgment motions for leave to amend as the respondents did in the instant case. If the decisions of the lower courts stand, the gate will be open to (1) provide a means to deprive individual shareholders of their constitutional right to defend against allegations of corporate misconduct and mismanagement and (2) disregard the well recognized rule limiting the liability of corporate shareholders for the wrongdoing of the corporation. In short, the concept of limited liability for corporate shareholders will in effect be done away with. Rule 10(a) of this Court permits this court to review an appellate decision that has "sanctioned such a departure by a lower court, as to call for an exercise of the Court's supervisory power." Because the Federal Circuit Court of Appeals sanctioned a substantial departure from well recognized principles of due process and limited liability for corporate shareholders, this court should exercise its supervisory power and review the Federal Circuit's decision in the instant case.

Petitioner submits that the correct procedure for the district court to have followed was to have granted respondents' motion for leave to amend their third party complaint. Respondents then should have been required to file their amended third party complaint, joining petitioner as a third party, and then should have been further required to serve that third party complaint on petitioner in accordance with Fed. R. Civ. P. 4. If the district court had followed that procedure, petitioner would have been afforded the opportunity to file an answer and raise defenses that he had to respondents' claim for attorneys' fees. Yet, by circumventing the usual pleading process and simply proceeding to judgment against petitioner, the district court not only deprived petitioner of the opportunity to defend on the merits (*i.e.* by presenting evidence that he did not engage in inequitable conduct) but also the opportunity to present affirmative defenses that he possessed as an individual and that were not available to, or presented by, Ohio Cellular. The district court's failure to follow this process was a substantial departure from due process which, under United States Supreme Court Rule 10, this Court has discretion to review.

B. Because the Court of Appeals' Decision Conflicts with the Decision of this Court in *Zenith Corp. v. Hazeltine*, Petitioner Is Entitled to a Writ of Certiorari.

True, petitioner was the president and sole shareholder of Ohio Cellular, and both the district court and the court of appeals found that petitioner "as president and sole shareholder of Ohio Cellular * * * could control and did control litigation decisions made on behalf of Ohio Cellular * * * ."[2] [Appendix at p. 20]. However, this rationale for including a corporation's owner in a judgment ren-

2. A finding which, as noted above, is directly refuted by the district court's order excluding petitioner from access to discovery.

dered against the corporation was expressly rejected by this Court in *Zenith*, *supra*.

The *Zenith* case involved facts that are identical to the facts in the instant case. The plaintiff, HRI, sued the defendant, Zenith, for patent infringement, and the district court assessed damages on Zenith's counterclaim against both HRI and HRI's non-party owner, Hazeltine. Zenith, in support of the judgment against the non-party, Hazeltine, argued that before trial, HRI had stipulated that Hazeltine was its "alter ego," and because of that stipulation, and Hazeltine's ability to control the litigation, it was proper for the district court to enter judgment against Hazeltine as well. This Court responded:

> HRI may have executed the stipulation to avoid litigating the alter ego issue, but this fact cannot foreclose Hazeltine, which has never had its day in court on the question of whether it and its subsidiary should be considered the same entity for the purposes of this litigation.
>
> Likewise, were it shown that Hazeltine through its officer, Dodds, in fact controlled the litigation on behalf of HRI, and if the claim were made that the judgment against HRI would be res judicata against Hazeltine because of this control, that claim itself could be finally adjudicated against Hazeltine only in a court with jurisdiction over that company.

Zenith Corp., 395 U.S. at 111.

Thus, before the district court could determine whether petitioner had such control over Ohio Cellular that attorneys' fees should be assessed against him individually as its owner, it was necessary for the court to first acquire jurisdiction over his person by means of valid service of process. Yet the Federal Circuit Court of Appeals held that the district court could make such a determination even in the absence of jurisdiction and valid service of process. As this court noted in *Zenith*, petitioner had the right to be heard upon, and defend against, the "control over litigation" issue but was deprived of that opportunity by the district court. Clearly, the court of appeals affirmed a decision that represents a substantial departure

from the precedent of this Court as established in *Zenith*. Rule 10(c) of this Court permits review of decisions on "an important federal question in a way that conflicts with relevant decisions of this Court." Because the decisions of the courts below conflict with the decision of this Court in *Zenith*, certiorari is warranted in the instant case. Thus, to insure that in future litigation, post-judgment new parties are afforded the same due process rights as the original parties, this court should grant the instant petition for certiorari.

C. Because of Conflicting Court of Appeals Decisions Regarding the Circumstances Under Which the Federal Rules of Civil Procedure Permit Post-Judgment Pleading Amendments to Include a Non-Party, Petitioner is Entitled to a Writ of Certiorari to Resolve the Conflict.

Regrettably, rather than address the due process issues, both the district court and the court of appeals focused their inquiry on the liberal amendment provisions of Fed. R. Civ. P. 15(a) and the factors to be applied in determining whether to grant leave to amend as enunciated by this Court in *Foman v. Davis*, 371 U.S. 178 (1962). As noted above, petitioner does not here dispute the district court's determination that respondents were entitled to leave to file an amended third party complaint. Rather, the issue presented to this Court, and not addressed by the district court and the court of appeals, is: once the court grants post-judgment leave to amend, how then does the litigation proceed? The district court, court of appeals and respondents have concluded, albeit erroneously, that the next step is simply to amend the judgment to include the new party as "an additional party against whom judgment is entered." To support this conclusion they relied upon the only other reported decision in which a court sustained the addition of a new party as a defendant against whom judgment is rendered, *Fromson v. Citiplate, Inc.*, 886 F. 2d 1300 (Fed. Cir. 1989).[3]

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3. In *Kalman v. Berlyn Corp.*, 914 F. 2d 1473 (Fed. Cir. 1990), the court also sustained the extension of a judgment to include a new party joined after judgment was rendered. However, in *Kalman* the judgment

In *Fromson*, the plaintiff patent holder sued the defendant corporation for patent infringement. Approximately three months before trial, the plaintiff suspected that the defendant corporation may be insolvent. Accordingly, the plaintiff in *Fromson*, unlike the respondents in the instant case, sought, ***prior to trial***, leave to join the defendant corporation's officers as new party defendants — presumably with the intent to file and serve an amended complaint upon them to join them into the lawsuit in accordance with the due process requirements of the United States Constitution. Notwithstanding the fact that, at the time the plaintiff sought leave to amend, the defendant's officers intended to put the defendant into bankruptcy, they represented to the court that the defendant was "in sound financial condition." *Fromson*, 886 F. 2d at 1301. Based upon that representation (that turned out to be false) the district court denied the plaintiff leave to amend. Only after the plaintiff obtained a judgment against the defendant was it revealed that the "sound financial condition" assurances were in fact false. If those false statements had not been made, the officers would have been joined in the lawsuit, and unlike petitioner in the instant case, they would have had the opportunity to defend, on the merits, against their personal liability. Thus, in *Fromson*, the sole reason for the officers' lack of opportunity to defend was their having defrauded the court regarding the financial solvency of their corporation. As the court of appeals put it:

> It comes with poor grace when the [corporate officers] object on appeal that the law should not, as it often does in similar contexts, require them to continue lying in a bed of their own making.

Fromson, 886 F. 2d at 1304.

In the instant case, petitioner, unlike the corporate officers in *Fromson*, never was afforded the opportunity, ***prior to trial,*** to defend himself individually against the respondents' claim for attorneys' fees. In *Fromson*, unlike the instant case, the corporate officers forewent that opportunity when they lied to the court regarding the financial condition of their corporation. Thus, the instant case does not involve a situation as occurred in *Fromson* where petitioner, ***prior to trial,*** voluntarily relinquished his right to be heard. No question exists that the decision in *Fromson* was correct on the facts — a party's false assurances to the court should never, under any circumstances, be tolerated. Yet, the district court and the court of appeals in the instant case extended the holding in *Fromson* well beyond its original intent, and used it as a basis by which to render judgment against any new party regardless of whether or not that party has engaged in sanctionable conduct during the course of litigation as the corporate officers had done in *Fromson*.

By granting certiorari in the instant case, this Court will have the opportunity to limit *Fromson* to situations involving misconduct during litigation, a situation that the district court expressly found ***not*** to have occurred in the instant case. Otherwise, if the decision below is allowed to stand, *Fromson* will stand for principles far beyond what the Federal Rules of Civil Procedure intended with respect to the post-judgment joinder of additional parties. Accordingly, petitioner is entitled to have this Court grant certiorari in the instant case.

Finally, there is a case that stands directly opposite to the decision in *Fromson*. In *Datascope Corp. v. SMEC, Inc.*, 964 F. 2d 1043 (Fed. Cir. 1992), the court held to be improper a plaintiff's post-judgment attempt to amend its complaint to join an additional party. The court in *Datascope* distinguished *Fromson* on the basis that the new party defendants in *Fromson* did not challenge the pleading amendment itself, and the court addressed only the issue of whether, under Fed. R. Civ. P. 15(c), the amendment related back to the filing date of the original complaint. Yet, in the instant case, after previously having limited its holding in *Fromson*, the Federal Circuit Court of Appeals, by its decision below, has now resurrected and expanded it to a point beyond that permissible by the Federal

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was ***in favor*** of the new party as opposed to the instant case and *Fromson* in which the judgment was ***against*** the new party. Thus, the issue presented in *Kalman* is different than the issue presented by the instant petition and is best left for another day.

Rules and the United States Constitution. Rule 10(a) of this Court permits certiorari where there is a "conflict of decisions." By granting the instant petition, this Court can lay to rest the internal conflict that now exists within the Federal Circuit and delineate the procedure to be followed when pleadings are amended post-judgment. Accordingly, petitioner is entitled to have this court grant his petition for certiorari.

II.

This Court Should Also Grant Certiorari to Provide Guidelines as to Who Must Pay Attorney Fees Where a Statute Provides that the District Court May Award Attorney Fees to the "Prevailing Party."

The judgment at issue in the instant case is an award of attorneys' fees that the district court rendered in favor of respondents pursuant to 35 U.S.C. § 285. That statute simply provides with respect to patent infringement litigation:

> The court in exceptional cases may award reasonable attorney fees to the prevailing party.

Although there has been much litigation regarding the issue of who is a "prevailing party" entitled to attorney fees, there is very little authority as to who is required to pay when a statute authorizes such an award. Although presumably, the "losing party" (Ohio Cellular in the instant case) must pay the award, the district court went one step further and ordered that Ohio Cellular's president and sole shareholder (who previously had been a non-party and who, to this day, remains a non-party under this Court's holding in *Zenith, supra*), also must pay the award.

In *Kentucky v. Graham*, 473 U.S. 159 (1985), this Court had the opportunity to address the "who must pay" issue under a similarly worded statute. In *Graham*, the plaintiff had successfully prosecuted a civil rights lawsuit against Kentucky state police officers. Although the state of Kentucky itself was not a party (having been dismissed from the lawsuit on Eleventh Amendment grounds), the

district court assessed attorney fees against it. The basis of the fee award was 42 U.S.C. § 1988, which provides that the district court in a civil rights action may "allow the prevailing party * * * a reasonable attorney's fee * * * ." As with the fee award statute in the instant case, although Section 1988 permitted the "prevailing party" to recover fees, it was silent as to who had to pay them. This Court noted:

> Section 1988 does not in so many words define the parties who must bear these costs. Nonetheless, it is clear that the logical place to look for recovery of fees is to the losing party, ***the party legally responsible for relief on the merits***.
>
> * * *
>
> Thus liability on the merits and responsibility for fees go hand in hand; where a defendant has not been prevailed against either because of legal immunity or on the merits, § 1988 does not authorize a fee award against that defendant.

Graham, 473 U.S. at 164-65 [emphasis added].

Under the above quoted language from *Graham*, petitioner, who was not prevailed against on the underlying merits, is not liable for attorneys' fees. However, in the instant case, the court of appeals distinguished *Graham* on the basis that the state of Kentucky, unlike petitioner in the instant case, allegedly did not engage in any misconduct (although its employee police officers most certainly did). Citing *Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*, 806 F. 2d 1565 (Fed. Cir. 1986), the court of appeals pointed to the fact that petitioner could be held liable as an Ohio Cellular officer who allegedly had participated in the misconduct before the PTO that formed the basis of the fee award. However, the corporate officer in *Orthokinetics*, unlike petitioner in the instant case, was a party to the proceeding, and unlike petitioner, had the opportunity to defend, on the merits, not only the fee award but also the underlying litigation.

By distinguishing *Graham* in the manner that it did, the court

of appeals ignored this Court's language that the party who has not been prevailed against on the underlying merits of the lawsuit is not subject to paying a fee award. Rule 10(c) of this Court permits certiorari where "a United States court of appeals has decided an important question of federal law that has not been, but should be, settled by this Court * * * ." By accepting this case for review, this Court will be able to resolve the unsettled "who must pay issue" and specifically identify who is responsible for paying an attorney fee award where a statute authorizes the award of fees to the "prevailing party." As previously noted by this Court, that party must be the party that loses on the merits, and not a third party that did not, as the state of Kentucky did not in *Graham*, participate on the merits. Accordingly, this court should grant the instant petition for certiorari.

CONCLUSION

For the foregoing reasons, petitioner respectfully requests that this Court grant certiorari.

Respectfully submitted,

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APPENDICES

United States Court of Appeals for the Federal Circuit

98-1448

OHIO CELLULAR PRODUCTS CORPORATION,
Plaintiff/Third Party Plaintiff-Appellant,

and

DONALD E. NELSON,
Third Party Defendant-Appellant,

v.

ADAMS USA, INC. and APEHEAD MANUFACTURING, INC.,
Defendants/Third Party Plaintiffs-Appellees,

v.

ALL AMERICAN SPORTS CORPORATION,
Third Party Defendant.

Decided: April 26, 1999

Before NEWMAN, MICHEL, and PLAGER, Circuit Judges.

Opinion for the court filed by Circuit Judge MICHEL. Dissenting opinion filed by Circuit Judge NEWMAN.

MICHEL, Circuit Judge.

Ohio Cellular Products Corporation ("Ohio Cellular") and Donald Nelson ("Nelson")[1] appeal from the decision of the United States District Court for the Northern District of Ohio, granting Adams USA, Inc. and Apehead Manufacturing, Inc.'s ("Defen-

[1] The appellants, Ohio Cellular and Nelson, will be referred to collectively as "Nelson" except if inappropriate, because it was Nelson who was added as a party in the grant of the motion at issue on appeal.

dants"') post-judgment motion for leave to amend their third-party complaint to add Nelson in his individual capacity as a third-party defendant. See Ohio Cellular Prods. Corp. v. Adams USA, Inc., No. 3:94-CV-7251 (N.D. Ohio Mar. 25, 1998). The court further granted Defendants' motion to amend a January 20, 1998 judgment awarding attorney fees to include Nelson as an additional party. This amended judgment made Nelson individually liable to pay the judgment along with Ohio Cellular, his corporate entity, the plaintiff in this infringement suit which was dismissed after the asserted patents were held invalid. See id. Nelson is the president and sole stockholder of Ohio Cellular. The January 20, 1998 judgment awarded a specific amount as attorney fees and costs to Defendants. A September 1997 reconsideration order had retained liability for fees in this case, found exceptional on February 12, 1997, based on inequitable conduct committed during prosecution of the application by Nelson himself. After the district court granted Defendants' motion to amend on March 25, 1998, Nelson moved to alter or amend that judgment, but his motion was denied on May 18, 1998. Thereafter, this appeal was timely filed. It was submitted for our decision following oral argument on February 3, 1999. Because we conclude that under the particular circumstances of this case the district court did not abuse its discretion in adding Nelson as a third-party defendant and amending the judgment quantifying the fee award to obligate Nelson individually after post-trial proceedings were concluded, we affirm.

BACKGROUND

In May 1994, Ohio Cellular sued Defendants for infringement of U.S. Patent Nos. 5,273,702 ("the '702 patent") and 4,980,110 ("the '110 patent").[2] In October 1995, the asserted patents were

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2 Apehead Manufacturing, Inc., an affiliate of Adams USA, Inc., was added as a party subsequent to the filing of the original complaint. All-American Sports Corp. was named as a third-party defendant in a counterclaim filed against it and Ohio Cellular by Adams USA, Inc. Only the prosecution of the '702 patent is at issue on appeal.

found invalid for anticipation under 35 U.S.C. §102(b) (1994). The infringement complaint was therefore dismissed. When Ohio Cellular appealed, we affirmed. See Ohio Cellular Prods. v. Adams. USA, Inc., 104 F.3d 376, 41 USPQ2d 1538 (Fed. Cir. 1996) (table).

After the judgment of invalidity was affirmed, on February 12, 1997 the district court granted the Defendants' motion for attorney fees and costs on the basis that the applicant had engaged in inequitable conduct. Ohio Cellular's motion for reconsideration was denied on September 25, 1997, after an evidentiary hearing was held. The district court concluded that, during the prosecution of the '702 patent, Nelson, who denied it at the evidentiary hearing on the issue, had withheld material prior art from the United States Patent and Trademark Office with the intent to deceive.[3] The judgment that Ohio Cellular committed inequitable conduct is not here disputed. After judgment on liability for fees was entered, Defendants and Ohio Cellular attempted to negotiate the amount of the attorney fees. On October 13, 1997, three weeks after the fee liability decision was confirmed, in connection with the fee negotiations, Ohio Cellular's counsel sent a letter to Defendants' counsel, stating:

> I am writing to potentially save you some time. The fact is that if the attorney fee award exceeds a very limited amount, you will not collect it because the company will be liquidated. If you wish to discuss a resolution on a nominal basis, please let me know.

(Emphasis added). The negotiations were not successful. Two weeks after the letter was sent, Defendants submitted a fee petition and bill of costs to the district court . The district court finally awarded Defendants $178,888.51 on January 20, 1998.

On February 3, 1998, two weeks after the amount of fees was

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3 Although Nelson was a co-inventor of the '702 patent with Jim Lammy, Nelson alone was responsible for the inequitable conduct. There is no evidence before us, moreover, that the attorney who prosecuted the application was aware of the undisclosed material prior art. Instead, it appears that Nelson withheld the prior art from his attorney and thus from the Patent Office.

determined by the district court, Defendants filed the motion that is the subject of this appeal. Defendants sought to add Nelson as a third-party defendant to subject him to individual liability for fees because in light of the letter they feared that they would be unable to collect most or all of the fee award if only Ohio Cellular remained liable. Nelson, as an inventor of the '702 patent and president and sole shareholder of Ohio Cellular,[4] was intimately involved in the prosecution of the '702 patent and his conduct was the sole basis for the district court's conclusion that Ohio Cellular committed inequitable conduct. See, e.g., Ohio Cellular Prods. Corp. v. Adams USA, Inc. No. 3:94-CV-7251, slip op. at 8 (N.D. Ohio Sept. 25, 1997) ("[T]he Court finds that Donald Nelson knew [of the prior art] . . . . Nelson did not disclose that information to the PTO . . . , although he knew the information was material. The Court finds further that Nelson's conduct manifests a sufficiently culpable state of mind to warrant a determination that it resulted from an intent to mislead the PTO. ").

In its decision allowing Nelson to be added as a party, the district court determined that Nelson failed to establish undue delay or undue prejudice, either or both of which would counsel against adding him as a party after entry of the fee liability judgment. See Foman v. Davis, 371 U.S. 178, 182 (1962) (stating that leave to amend should be freely given in the absence of proof by the nonmovant of such factors as "undue delay, bad faith or dilatory motive" and "undue prejudice to the opposing party"). The district court noted its understanding that delay alone is an insufficient ground to deny a motion to amend, but that delay may become "undue" if the opposing party is prejudiced by the delay. To determine whether Nelson would suffer undue delay or prejudice if the motion were granted, the district court considered and discussed the

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4 Nelson sold Ohio Cellular to BSN Corp. during the prosecution of the applications that issued as the '702 and '110 patents. After the patents issued, Nelson re-acquired Ohio Cellular and it exclusively licensed the '702 and '110 patents from All American Sports Corp., another third-party defendant which owned the patents.

facts of the case in view of the factors described in Fromson v. Citiplate, Inc., 886 F.2d 1300, 1303-04, 12 USPQ2d 1299, 1302 (Fed. Cir. 1989). These factors include: "(1) whether Defendants' claim against Nelson arises out of the same conduct set forth in the original pleadings; (2) whether Nelson had notice sufficient to avoid prejudice to his defense and should have known that the action could have been brought against him; and (3) whether Nelson could be personally liable because he personally participated in or directed the wrongdoing that led to the corporation's liability." Ohio Cellular, slip op. at 4 (Mar. 25, 1998) (granting motion to amend).

With respect to the first Fromson factor, the district court made the following findings:

> In this case, there is no dispute that Defendants' claim against Nelson arises out of the same conduct set forth in the original pleadings -- inequitable conduct before the PTO. Indeed, the Court's finding that the Plaintiff corporation [Ohio Cellular] had engaged in inequitable conduct before the PTO was based on a factual determination that Nelson had intentionally failed to disclose a materia[piece of prior art to the PTO. Nelson personally claimed to be the inventor of the process for which he sought and obtained the patents that were subsequently invalidated by this Court. Nelson is the president and sole shareholder of the Plaintiff corporation. The evidence is clear that Nelson was personally involved in all aspects of the Plaintiff corporation's operations, including the prosecution of the invalid patents and the filing of the instant lawsuit.

Id. Thus the district court found that the first factor weighed against finding prejudice to Nelson.

With respect to the second factor, the district court concluded that there was not "any dispute that Nelson had notice sufficient to avoid prejudice to his defense and should have known that the action could have been brought against him." Id. at 5. In coming to this conclusion, the district court stated:

> The notice requirement is satisfied if there is a sufficient "identity of interest" between the original defendant and the newly

> added defendant, so that the institution of an action against one series to provide notice of the litigation to the other. Jacobsen v. Osborne, 133 F.3d 315, 320 (5th Cir. 1998); Fromson, 886 F.2d at 1304, Hernandez Jimenez v. Calero Toledo, 604 F.2d 99, 102-03 (1st Cir. 1979). Nelson is the president and sole shareholder of the plaintiff corporation, thus, the identity of interest between the two parties is near-complete. Nelson had every reason to believe from the moment that Plaintiff corporation instituted this action that every penny the corporation spent would be a penny out of his own pocket. Further, Nelson has been actually aware of and involved in this litigation from its outset; he was the motivating force behind the institution of the lawsuit. He has diligently—even fiercely—acted to protect his interests at every stage of the proceedings.

Id. The district court therefore found that the second factor weighed against a conclusion that Nelson would be unduly prejudiced by the amendment.

As to the third factor the district court found as follows:

> Finally, Nelson was on notice that Defendants' claim could have been brought against him personally, and that he might personally be liable for the Plaintiff corporation's tortious conduct. It is well accepted that the officers of a corporation are personally liable for the corporation's torts committed in violation of the patent laws if they "personally took part in the commission of the tort or specifically directed other officers, agents or employees of the corporation to commit the tortious act." Orthokinetics, Inc. v. Safety Travel Chairs , Inc., 806 F.2d 1565, 1579 (Fed. Cir. 1986); accord Sensonics, Inc. v. Aerosonic Corp., 81 F.3d 1566, 1575 (Fed. Cir. 1996); Fromson, 886 F.2d at 1304: Water Techs. Corp. v. Calco, Ltd. , 850 F.2d 660 (Fed. Cir. 1988). In this case, Nelson was personally responsible for the tortious conduct that led to the Plaintiff corporation's liability. Therefore, he is subject to personal liability for that conduct.

Id. Thus, the district court discerned that all three factors weighed against a finding that Nelson would suffer undue prejudice if added

as a party, even though the motion to amend was filed over four months after the fee liability judgment was entered and two weeks after the amount of the fee awards was determined. Accordingly, the district court granted Defendants' motion. This appeal was then timely filed by Nelson. We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1) (1994).

DISCUSSION

The sole issue before us is whether on this record the district court abused its discretion in granting Defendants' belated motion to add Nelson as to the fee award. See Granus v. North Am. Philips Lighting Corp., 821 F.2d 1253, 1256 (6th Cir 1987) ("We review trial courts' disposition of motions to amend only for abuse of discretion . . . .").

Nelson argues for a per se rule that, because he was not held liable individually on the merits of the motion for attorney fees in the September 25, 1997 decision, he cannot be held responsible individually for paying the fee award quantified the following January. Such a "prohibition against assessing attorney fees against a non-party," Appellants' Brief at 16, he seeks to fashion from language in the Supreme Court's decision in Kentucky v. Graham, 473 U.S. 159 (1985). Graham, however, was a civil rights case where the Supreme Court held that a government employer cannot be later joined in a lawsuit and held vicariously liable for a fee award based on torts committed by governmental employees who, acting contrary to policy, deprived citizens of their constitutional rights. See id. at 167-70. The government was a stranger to the lawsuit and the acts on the basis of which it was brought and the fees awarded. Thus, Graham hardly can stand for the proposition that the individual who actually committed the wrongdoing cannot be held liable for a fee award in cases where a fee award is warranted, as Nelson does not dispute it is here. Nor can Graham lend support to the argument of Nelson that just because he was not named in the suit or the motion for fees, and for no other reason, he cannot later be liable for fees. In this case, it is undisputed on appeal that Nelson personally committed the acts of inequitable conduct which were

the basis for the fee award, and provided testimony regarding those acts as a witness at an evidentiary hearing. Moreover, as sole shareholder and president Nelson could control the litigation and indeed was found to have personally supervised it, including the inequitable conduct hearing. In Graham, by sharp contrast, the government itself did not commit or condone any wrongdoing, yet the plaintiffs sought the recovery of fees from it. The heart of the issue in Graham was whether the government could be held vicariously liable for fees awarded on the basis of acts of its individual employees when they are acting outside the scope of their lawful duties—an issue most definitely not present here.

Here, the district court awarded attorney fees pursuant to 35 U.S.C. § 285 (1994), which provides for a discretionary award of fees in a patent infringement case found to be "exceptional." It is settled that a case may be found exceptional when the patent applicant has committed inequitable conduct. See Amsted Indus., Inc. v. Buckeye Steel Castings, Co., 23 F.3d 374, 376, 30 USPQ2d 1470, 1472 (Fed. Cir. 1994) ("Among the types of conduct which can form a basis for finding a case exceptional are . . . inequitable conduct before the P.T.O. . . .") (citation omitted). Because Nelson does not here contest the holding of inequitable conduct, which the district court relied on as the sole basis for finding the case exceptional and thus for awarding attorney fees, the only remaining issue is whether Nelson was property added as a third-party defendant and made personally liable for the February 12, 1997 fee judgment, upheld on reconsideration on September 25, 1997, quantified on January 20, 1998.

Rather than being governed by Graham, this case falls into a broad category in which one party seeks to amend its complaint to add an additional party pursuant to Rule 15. See Fed. R. Civ. P. 15(a) (stating that leave to amend should be freely granted). Although here we are presented with the uncommon situation where an individual is sought to be added as a party after entry of judgment, here of liability for an award of fees, the district court properly concluded that it may grant such leave to amend, given appropriate circumstances. See Ohio Cellular, slip op. at 3 (Mar. 25, 1998)

(citing Fromson v. Citiplate, Inc., 886 F.2d 1300, 12 USPQ2d 1299 (Fed. Cir. 1989), and Kalman v. Berlyn Corp., 914 F.2d 1473, 16 USPQ2d 1093 (Fed. Cir 1990)). It concluded that such circumstances were present here. We agree.

In Foman v. Davis, 371 U.S 178 (1962), the Supreme Court addressed the relevant considerations involved in deciding motions to amend pursuant to Rule 15:

> In the absence of any apparent or declared reason--such as undue delay, bad faith or dilatory motive on the part of the movant, repeated failure to cure deficiencies by amendments previously allowed, undue prejudice to the opposing party by virtue of allowance of the amendment, futility of amendment, etc.-- the leave sought should, as the rules require, be 'freely given.'

Id. at 182. Under subsequent Sixth Circuit case law, which governs this case, "[n]otice and substantial prejudice to the opposing party are critical factors in determining whether an amendment should be granted." Head v. Jellico Hous. Auth., 870 F.2d 1117, 1123 (6th Cir. 1989) (citations omitted). Although "undue delay" is a proper consideration under Foman, "delay by itself is not sufficient to deny a motion to amend." General Elec. Co. v. Sargent & Lundy, 916 F.2d 1119, 1130 (6th Cir. 1990).[5]

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[5] Although Foman and other cases refer to undue prejudice, which implies a lack of notice to the party sought to be added, the cases do not separately address due process as a bar to amendment, presumably because due process requirements are met if the requirements of Rule 15 are met and no undue prejudice is shown. See, e.g., Foman, 371 U.S. at 182 (no explicit reference to or analysis of due process considerations); General Elec., 916 F.2d at 1130 (concluding that no undue prejudice was shown where "General Electric simply does not argue that it would have done anything differently had the defense been presented [earlier]," without addressing due process explicitly); Fromson, 886 F.2d at 1304, 12 USPQ2d at 1302 (finding that individuals had notice because they "should have known all along" that they could be added as parties, without addressing due process explicitly).

The district court properly focused its inquiry on whether Nelson would be unduly prejudiced if Defendants' post-judgment motion to amend pursuant to Rule 15 were granted, measured, as the district court did, according to the factors discussed in Fromson.[6] After analyzing these Fromson factors, the district court concluded that Nelson would not suffer undue prejudice if added as a party because, inter alia: (1) Defendants' fee claim against Nelson arose out of the very same inequitable conduct attributed to Nelson himself as set forth in the original pleadings; (2) Nelson was not prejudiced by a lack of notice due to his identity of interest with Ohio Cellular as its president, sole shareholder, effective controller of the litigation, inventor of the invention that was the subject matter of the '702 patent, co-applicant, and as a witness at the hearing on inequitable conduct; and (3) Nelson must be deemed on notice that the fee award claim could have been brought against him personally because, in his capacity as corporate president, he himself committed the inequitable conduct that became the basis for the fee award and totally controlled the corporation that was the original party, as well as the litigation over this very issue.

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6 It is important to note that Defendants were not required to "pierce the corporate veil" in order to add Nelson as a party. "In general, a corporate officer is personally liable for his tortious acts, just as any individual may be liable for a civil wrong. This general rule 'does not depend on the same grounds as piercing the corporate veil,' . . . ." Hoover Group, Inc. v. Custom Metalcraft, Inc., 84 F.3d 1408, 1411, 38 USPQ2d 1860, 1861-62 (Fed. Cir. 1996) (citations omitted); see also Orthokinetics, Inc. v. Safety Travel Chairs, Inc., 806 F2d 1565, 1579, 1 USPQ2d 1081, 1090 (Fed. Cir. 1986) ("[O]fficers of a corporation are personally liable for tortious conduct of the corporation if they personally took part in the commission of the tort. . . . "). However, the fact that piercing the corporate veil is not required does not render Nelson's status as president and sole shareholder any less relevant for purposes of determining whether the motion to amend should have been granted. See Fromson, 886 F.2d at 1304, 12 USPQ2d at 1303-04 (relying on the individuals' status as officers of the corporation in allowing amendment pursuant to Rule 15 without any discussion of piercing the corporate veil).

Considering all the circumstances of record here, we discern no abuse of discretion in the district court's grant of Defendants' motion to amend and no clear error in the district court's factual findings. Our review of its application of the Fromson factors shows they were duly determined and adequately support the district court's exercise of its discretion.[7] First, there is no dispute that the conduct before the Patent Office giving rise to the claim for attorney fees is indeed the very same conduct that forms the basis for naming Nelson as a third-party defendant and for holding him personally liable for attorney fees: his own acts of inequitable conduct. Second, Nelson had timely and sufficient notice to avoid prejudice to his defense because Ohio Cellular had a nearly identical interest in the litigation over liability for fees as Nelson, due to his role as its president and sole shareholder and the patent applicant and a witness on inequitable conduct. Indeed, as president and sole shareholder of Ohio Cellular Nelson could control and did control litigation decisions made on behalf of Ohio Cellular, including decisions made during the litigation of both the motion for attorney fees and the later motion that quantified the fee award. Finally, as the person solely responsible for the inequitable conduct and as a president and sole shareholder of Ohio Cellular, Nelson should have known he could

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7 Indeed, the facts here are similar to those in Fromson, where Fromson sought to amend his complaint against a corporation after trial by adding two individuals and to hold them personally liable for attorney fees awarded to Fromson previously. Fromson sought to add the individuals because he belatedly learned of reason to fear that Citiplate, a corporation and the sole original defendant, was no longer solvent. The individuals in question were senior corporate officials of Citiplate, who together owned fifty percent of the company and held the most important offices in the company. The district court in Fromson granted the motion to amend, basing its decision on application to the facts there of the same factors applied by the district court here. See Fromson v. Citiplate, Inc., 10 USPQ2d 1785, 1786-87, aff'd, 886 F.2d 1300, 12 USQP2d 1299 (Fed. Cir. 1989). We affirmed there; we must likewise do so here. In fact, this case is even clearer because Nelson owned one hundred percent of the shares and held the very top position in the corporation.

be held personally liable. See Hughes v. Novi Am., Inc., 724 F.2d 122, 125-26, 220 USPQ 707, 710 (Fed. Cir. 1984) (holding the inventor, former president and majority shareholder of assignee of patents liable for attorney fees for his own inequitable conduct); Fletcher Cyclopedia of the Law of Private Corporations § 1143 (1994) ("A corporate officer or agent who commits fraud is personally liable to a person injured by the fraud. In other words, an officer of a corporation, actively participating in the fraud practiced by it, cannot escape personal liability on the ground the officer was acting for the corporation. . . . The corporation also may be liable, but the individual is not thereby relieved of his or her own responsibility." (emphasis added)).

Nelson may also be fairly associated with the October 13 letter, which threatened to nullify the district court's September 25 fee liability judgment by liquidating the corporation to frustrate payment of the fee judgment. That letter, sent to Defendants' counsel three weeks after the fee liability decision was confirmed on reconsideration, stated :

> I am writing to potentially save you some time. The fact is that if the attorney fee award exceeds a very limited amount, you will not collect it because the company will be liquidated. If you wish to discuss a resolution on a nominal basis please let me know.

(Emphasis added). Although the letter was signed by Ohio Cellular's counsel, the corporation could hardly be liquidated without the consent and participation of its sole shareholder and president, Nelson. See Ohio Cellular Prods. Corp. v. Adams USA, Inc., No. 3:94-CV-7251, slip op. at 2 (N.D. Ohio May 18, 1998) ("In connection with the fee negotiations, Nelson informed Defendants that he would liquidate [Ohio Cellular] to avoid paying anything more than a nominal amount of attorney fees." (emphasis added)). At the very least Nelson must have known about the letter and could have rescinded it. Nelson does not argue that Defendants should have known of the potential liquidation of Ohio Cellular before receiving the letter. And once the letter was received by Defendants, they acted promptly

(within two weeks) to obtain a quantification of the amount of fees owed. Defendants also acted promptly (within two weeks) to move to add Nelson once the fees were quantified . Thus, allowing amendment appears particularly excusable and non-prejudicial here, where Defendants were made aware of the threatened liquidation only when they received the October letter (after a judgment on liability for attorney fees had already been entered) and acted promptly to seek to add Nelson once the amount was determined.

Were we simply to reapply those same Fromson factors to the duly established and largely undisputed facts in this case we might conclude that the grant of the motion to amend the complaint and the fee judgment was proper. Thus, we might affirm even if our review were de novo.

Our review, however, is not de novo, but rather under the highly deferential standard of abuse of discretion. Most certainly the district court did not abuse its discretion. Nor were its underlying findings of no undue delay or prejudice clearly erroneous. See Datascope Corp. v. SMEC, Inc., 962 F.2d 1043, 1046, 22 USPQ2d 1573, 1576 (Fed. Cir. 1992) ("The district court's finding of undue delay is not clearly erroneous."). [8] Based on these irreversible findings, we hold the district court acted within its discretion in allowing amendment. Its reasoning, moreover, was set forth clearly and convincingly in a

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[8] This case is indeed "similar on its facts" to Datascope, but key differences do exist. In that case, Datascope sought to add Peter Schiff as a party to the action after trial when it believed SMEC, Inc. would not be able to pay all the damages owed. In Datascope, in contrast to this case, however, Schiff was not personally involved in inequitable conduct; Nelson was. Further, the court in Datascope relied heavily on the fact that "Datascope must have known from the outset of this litigation that if it prevailed and recovered damages for lost profits, the judgment would far exceed the amount that SMEC appeared able to pay," in concluding that Datascope's delay in seeking to amend the complaint was indeed "undue." Id. at 1046, 22 USPQ2d at 1576. Here, however, Defendants became aware of Ohio Cellular's refusal to pay only when Ohio Cellular's counsel sent a letter, after judgment on liability for attorney fees, indicating

well-written opinion which it reconsidered on motion, but declined to change.

In contrast to the government in Graham, Nelson hardly was a stranger to this case. He testified at the hearing on the inequitable conduct issue and his own conduct and his alone was proven by clear and convincing evidence to be inequitable. This issue was fully litigated with both his personal testimony and active participation generally in this very litigation. As the district court found, without clear error:

> Nelson had every reason to believe from the moment that Plaintiff corporation instituted this action that every penny the corporation spent would be a penny out of his own pocket. Further, Nelson has been actually aware of and involved in this litigation from its outset; he was the motivating force behind the institution of the lawsuit. He has diligently--even fiercely--acted to protect his interests at every stage of the proceedings.

Ohio Cellular, slip op. at 4 (Mar. 25, 1998) (emphasis added). Thus, no basis has been advanced to believe anything different or additional would have been done to defend against the allegation of inequitable conduct had Nelson individually already been added as a party or had he been a party from the outset. Not only did Ohio Cellular have the same incentive to defend against the charge, but the defense was in fact as comprehensive as possible. Thus, no prejudice has been shown by Nelson, much less "undue" prejudice.

Under these particular circumstances, the fact his name was not already in the caption of the case was little more than a pleading formality, for it did not prejudice him. Moreover, it was prompted entirely by the threatening letter of October, of which Nelson was

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that Defendants "will not collect [the fee award] because [Ohio Cellular] will be liquidated." Finally, the affirmance on appeal in Datascope can be attributed in part to the deferential "abuse of discretion" review of the denial of a motion to amend. Here, however, we review the district court's grant of a motion to amend under an abuse of discretion standard.

surely aware.

CONCLUSION

Because the district court did not abuse its discretion in granting Defendants' post-judgment motion to amend their complaint and the fee judgment to include Nelson as an additional party against whom that judgment is collectable, the district court's decision is

AFFIRMED.

United States Court of Appeals for the Federal Circuit

98-1448

OHIO CELLULAR PRODUCTS CORPORATION,
Plaintiff/Third Party Plaintiff-Appellant,

v.

DONALD E. NELSON,
Third Party Defendant-Appellant,

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ADAMS USA, INC. and APEHEAD MANUFACTURING, INC.,
Defendants/Third Party Plaintiffs-Appellees,

v.

ALL AMERICAN SPORTS CORPORATION,
Third Party Defendant.

NEWMAN, Circuit Judge, dissenting.

By judgment entered February 12, 1997 the district court found that Ohio Cellular Products Corporation had committed inequitable conduct in its prosecution of the patents in suit, and awarded attorney fees and costs in favor of the defendants Adams USA and Apehead Manufacturing (together "Adams USA"). The district court entered judgment for fees and costs against Ohio Cellular on January 20, 1998, in the amount of $178,888.51. On February 3, 1998 Adams USA moved to amend retrospectively its third-party complaint against All American Sports Corporation to add Mr. Donald E. Nelson as a third-party defendant and to include him in the judgment for attorney fees and costs. On March 25, 1998 the court granted the motion, and entered judgment against Mr. Nelson personally as "an additional party."

This was an unusual procedure, indeed unprecedented. Absent rare and special circumstances, personal liability can not be im-

posed on a non-party by the simple expedient of amending a complaint to make him a party after the case has been tried, decided and judgment rendered—indeed, one year after judgment was rendered. Mr. Nelson was not a party when the issues were litigated, and no amendment to any complaint, or any other proposal to add him as a party, was made during any part of the action, even though he was present and testified as a witness. His personal liability was never litigated, and "piercing the corporate veil" has been explicitly disclaimed as a ground for charging Mr. Nelson with personal liability. Mr. Nelson had no opportunity to contest the issue of his personal liability for inequitable conduct as an inventor. Thus I must, respectfully, dissent from my colleagues' ratification of this breach of due and fair process.

DISCUSSION

The Federal Rules favor liberal amendment of complaints and liberal joinder of parties, in order to facilitate bringing before the court all issues and all parties concerned with the issues. These notice-pleading procedures are designed to protect due process, not to avoid it. The Rules do not support joinder of Mr. Nelson and imposition of personal liability against him, after the litigation against Ohio Cellular was over and judgment was entered against Ohio Cellular.

During the litigation Adams USA presented no claim against Mr. Nelson personally. Adams USA does not dispute that it had multiple opportunities to charge and to join Mr. Nelson prior to the final judgment. When Adams USA filed a third-party complaint against All American Sports, Mr. Nelson's personal liability was not suggested. After the judgment against Ohio Cellular, Mr. Nelson's personal liability was not suggested. After the reconsideration hearing, at which Mr. Nelson testified, his personal liability was not suggested. After the October letter from Ohio Cellular's counsel, of which the panel majority makes much, Mr. Nelson was not mentioned or brought into the action. Judgment as to attorney fees was entered on January 20, 1998, one year after the judgment holding Ohio Cellular liable for inequitable conduct. Only thereaf-

ter did Adams USA move to amend the complaint under Rule 15.[1]

The district court, upon granting the motion, did not hold an evidentiary hearing, although the panel majority repeatedly refers to Mr. Nelson's participation as a witness. When pressed at oral argument, Adams USA offered no reason for its failure to join Mr. Nelson as a party.[2] However, there must be such a reason, as Professor Moore explains:

> [A] plaintiff must allege a reason for the mistake in order to substitute one legal entity for another when the plaintiff knew of the existence of the second entity at the time the original complaint was filed. In order to sue a corporate officer individually, the plaintiff also must allege a reason for mistake in not identifying the officer in the first place.

MOORE'S FEDERAL PRACTICE §15.19[3][d] at 15-91 (Rel. Mar. 1997).

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1 Adams USA never filed a post-judgment motion under Rule 59 seeking to alter or reopen the judgment. However, after entry of judgment, "the court lacks power to rule on a motion to amend unless the party seeking leave obtains relief under Rule 59(e) or 60(b)." 3 MOORE'S FEDERAL PRACTICE §15.12[2] at 15-21 (Rel. Mar. 1997). A motion to alter judgment must be served no later than 10 days after a judgment is entered, see Fed. R. Civ. P. 59(e); perhaps this explains why Adams USA did not file such a motion.

2 The transcript includes the following exchange:

Judge Plager: . . . Why did you not name Nelson in the original suit? That would have been the logical time to have named him as a defendant.

Adams USA Counsel: Indeed, your Honor, that probably would have been the easiest time to do it. But what the court found was that there was no prejudice to Mr. Nelson's naming later and in fact --

Judge Michel: That's not responsive to the question. The question is why didn't you name him earlier.

Adams USA Counsel: Your Honor, I don't know why there was a particular decision to name him or not to name him earlier. That was not in the record. . . .

Adams USA failed to explain why it did not join Mr. Nelson prior to entry of judgment against Ohio Cellular, and failed to explain its four month delay following the October 1997 letter referring to Ohio Cellular's financial situation. Rather than squarely addressing the issue of undue delay and undue prejudice to Mr. Nelson, the panel majority now finds for itself the fact that Adams USA "acted promptly" to add Mr. Nelson, ignoring the district court's finding that Adams USA "could have moved to amend their complaint long before entry of final judgment."

The fundamentals of due process are notice and the opportunity to defend against the noticed liability. See Saalfrank v. O'Daniel, 533 F 2d 325, 330 (6th Cir. 1976) (a post-judgment amendment to realign parties "may only be done if all parties have notice of the issues being tried and no prejudice will result"). Omitting the person to be charged until after judgment has been entered can not circumvent these fundamental principles. Although my colleagues now argue and find Mr. Nelson's culpability as an inventor and as corporate principal, his personal liability as an inventor was never placed at issue and was not litigated. The majority opinion states that Mr. Nelson was "solely responsible" for the inequitable conduct. There was no such finding. There was no adjudication against Mr. Nelson. The judgment was entered against Ohio Cellular alone.[3]

Although the panel majority now finds that "the fee award claim could have been brought against [Mr. Nelson] personally," the claim was not so brought. Had it been brought, he could have defended against personal liability. While the majority also finds that there is "no basis . . . to believe" that Mr. Nelson could have avoided personal liability had he been joined as a defendant before judgment was rendered, Mr. Nelson was not so joined. The law, at its most fundamental, does not render judgment simply because a person

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3 The district court's Memorandum Opinion states, "the Court finds that Plaintiff's [Ohio Cellular's] conduct before the PTO was inequitable." Slip op. at 16. The Memorandum Opinion Denying Reconsideration states, "Plaintiff [Ohio Cellular] is guilty of inequitable conduct." Slip op. at 8.

might have been found liable had he been charged.

The panel majority states that Mr. Nelson's personal culpability was "undisputed." However, testifying as a witness, Mr. Nelson did dispute that he intended to deceive and that he deliberately withheld the Marc reference. The issue of inequitable conduct, although decided adversely to Ohio Cellular, was not based on undisputed facts or admissions. The majority's findings of personal liability do not derive from litigation in which Mr. Nelson had the opportunity to defend his personal liability.[4]

Adams USA explicitly states that its claim is not based on "piercing the corporate veil." It is hornbook law that Mr. Nelson and Ohio Cellular are different legal entities. See W. FLETCHER, 1 FLETCHER CYCLOPEDIA OF THE LAW OF PRIVATE CORPORATIONS §41.35 (1986 & Supp. 1998) ("the mere fact that all or almost all of the corporate stock is owned by one individual or a few individuals will not afford sufficient grounds for disregarding corporateness"); cf. Zenith Radio Corp. v. Hazeltine Research, Inc., 395 U.S. 100, 108-13, 161 USPQ 577, 580-82 (1969) (it was error to impose the judgment against a parent corporation, which was fully cognizant of the action against its subsidiary, since the judgment was not rendered in a proceeding to which the parent was a party). Adams USA refused to raise "piercing the corporate veil" as an issue on this appeal, and disclaimed any reliance on a theory of corporate officer liability, perhaps because it recognized, correctly, that there must be timely notice of such reliance. See MOORE'S FEDERAL PRACTICE, supra (there must be a reason for the tardy joinder of a corporate principal).

Despite the repeated remonstrance by Adams USA that it is not pursuing Mr. Nelson in his role as corporate principal, the panel majority adverts to this relationship, even as it states that Adams

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4 The panel majority states that the "defense was in fact as comprehensive as possible." The comprehensiveness of Ohio Cellular's defense of the charge of inequitable conduct is not before us on this appeal; Ohio Cellular did not appeal its liability.

USA was not required to pierce the corporate veil in order to impose liability upon Mr. Nelson in view of his corporate role. The cases relied upon by the panel majority do not support its ruling. In Orthokinetics the officers of the corporation were named as defendants at the outset of the litigation. See Orthokinetics ("Orthokinetics sued STC [corporation], Entron [corporation], Pivacek [stockholder and officer], Chipman [stockholder and officer], and Cole [stockholder and officer]"). In Hoover Group the chief executive officer and principal owner was named as a defendant in an amended complaint filed after the district court had reached its decision that the corporation infringed; although the district court allowed the amendment and held the officer personally liable for inducing the corporation's patent infringement, the Federal Circuit reversed. These cases do not support imposition of personal liability upon Mr. Nelson after final judgment was entered solely against Ohio Cellular.

Mr. Nelson never was given notice of the intention to charge him with personal liability, either as inventor or as president and owner of Ohio Cellular. If the corporate entity is to be disregarded for purposes of imposing personal liability, there must be some notice thereof. This is illustrated by the case on which the panel majority places its greatest reliance, Fromson v. Citiplate, Inc., 886 F.2d 1300, 12 USPQ2d 1299 (Fed. Cir. 1989), wherein a motion to add the corporate owners and impose the judgment against them was granted after trial. Both the district court and the Federal Circuit stressed that a motion to add these persons had been made before trial, and had been denied upon the corporate owners' representations, later found to be false, of corporate solvency. Id. at 1304, 12 USPQ2d at 1303 ("the Cusumanos were directly notified by Fromson's pretrial motion that Fromson considered them proper parties-defendant. [The Cusumanos] resisted that motion on the basis of false assurances that [the corporation] was solvent.") The court granted the renewed motion to impose liability on the corporate owners. Thus the majority inaptly relies on Fromson, for there was a pretrial motion to add the owners, and the Federal Circuit carefully applied the safeguards that are now discarded.

The majority also cites the case of Kalman v. Berlyn Corp., 914 F.2d 1473, 16 USPQ2d 1093 (Fed. Cir. 1990), wherein the plaintiff sought to amend the complaint in order to add, as another plaintiff, a related company that was also licensed under the patent; this court held that the amendment should have been permitted. These quite different facts do not support the result herein, as was discussed in Datascope Corp. v. SMEC, Inc., 962 F.2d 1043, 22 USPQ2d 1573 (Fed. Cir. 1992), a case factually closest to the case now before us. In Datascope the Federal Circuit reached a conclusion directly contrary to that reached herein, for in Datascope the district court refused to permit amendment of the complaint after final judgment to add as a party the company's president and principal stockholder, on grounds of undue delay and undue prejudice. The Federal Circuit sustained the district court's ruling that:

> Datascope's failure to add Schiff earlier has operated undue prejudice on Schiff. Schiff has not had, and will not have, an opportunity to contest the claim which Datascope proposes to assert against him individually, as no claim was made at any time during the protracted the of this lawsuit. Datascope's contention that trying SMEC was tantamount to trying Schiff is not valid.

Id. at 1044, 22 USPQ2d at 1575. This precedent can not now be ignored, it binds this panel to the law as there applied.

In Foman v. Davis, 371 U.S. 178 (1982) the Court referred to "undue delay" and "undue prejudice" as grounds for refusing amendment to a complaint. It is hard to imagine greater prejudice than imposing personal liability without affording an opportunity to defend one's person. Adams USA states that its claim against Mr. Nelson is as a "joint tortfeasor" based on his role as an inventor. However, he was not sued as a tortfeasor, and the judgment of inequitable conduct was rendered solely against Ohio Cellular. Had Mr. Nelson been personally charged in tort, he could have defended against liability in tort.

The panel majority repeatedly refers to the October 1997 letter from Ohio Cellular's counsel which advised Adams USA that Ohio

Cellular was in financial straits. The majority finds that the letter is "fairly associated" with Mr. Nelson, and that "[a]t the very least, Nelson must have known about the letter and could have rescinded it." However, a communication from a plaintiff corporation does not support retroactive liability of a corporate officer, even upon the panel majority's factual finding that Mr. Nelson "must have known" about the letter.

The panel majority several times qualifies its unusual holding as applying to the "particular circumstances of this case." However, the imposition of personal liability on the inventor, after all proceedings have ended, undoubtedly will breed a new "plague" of inequitable conduct litigation, and further move patent cases from the mainstream of not only substantive law but also procedural law. This is not a matter of judicial "discretion." The judicial obligation is to preserve the processes of justice.

United States Court of Appeals for the Federal Circuit

ORDER

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the APPELLANT, DONALD E. NELSON, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate of the court will issue on June 10, 1999.

FOR THE COURT,

/s/ Jan Horbaly
Clerk

Dated: June 3, 1999

cc: ERNEST R. BAZZANA
JACK A. WHEAT

OHIO CELLULAR V ADAMS USA, 98-1448
(DCT - 94-CV-7251)

* Note: Pursuant to Fed Cir. R. 47.6, this order is not citable as precedent. It is a public record.

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
WESTERN DIVISION

(Dated February 12, 1997)

OHIO CELLULAR PRODUCTS CORPORATION,

Plaintiff,

Case No. 3:94 CV 7251

-vs-

JUDGMENT ENTRY

ADAMS USA, INC., *et al.*,

Defendants.

KATZ, J.

For the reasons stated in the Memorandum Opinion filed contemporaneously with this Judgment Entry, IT IS HEREBY ORDERED, ADJUDGED and DECREED that Defendant's motion for attorney fees (Doc. No. 73) is granted, Defendants' bills of costs (Doc. Nos. 74 & 95) are granted in the amount of $2,672.24, and Plaintiff's motion to strike (Doc. No. 88) is denied.

IT IS SO ORDERED.

/s/ DAVID A. KATZ
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
WESTERN DIVISION

(Dated February 12, 1997)

OHIO CELLULAR PRODUCTS CORPORATION,

Plaintiff,

Case No. 3:94 CV 7251

-vs-

MEMORANDUM OPINION

ADAMS USA, INC., *et al.*,

Defendants.

KATZ, J.

This matter is before the Court on Defendants' Motion for Attorney Fees, Defendants' Bills of Costs, and Plaintiff's motion to strike Defendants' reply memorandum in support of their motion for attorney fees. For the following reasons, Defendants' motion for attorney fees will be granted. Defendants will be granted costs in the amount of $2,672.24, and Plaintiff's motion to strike will be denied.

I. BACKGROUND

Plaintiff brought this patent infringement action against Defendants on May 19, 1994. In a judgment rendered on October 11, 1995, this Court found that the patents Plaintiff sought to enforce against Defendants were invalid, and granted Defendants' motion for summary judgment. That finding was subsequently affirmed by the Court of Appeals for the Federal Circuit.

Defendants have submitted a bill of costs in the amount of $4,199.80 and a supplemental bill of costs in the amount of $103.24. They have moved for attorney fees which they estimate will exceed $125,000.00 on the dual grounds that Plaintiff engaged in inequitable conduct before the Patent and Trademark Office ("PTO"), and

that Plaintiff engaged in vexatious and/or unjustified litigation. Plaintiff has filed opposition to the bills of costs and to the motion for attorney fees, and has moved to strike Defendants' reply to its opposition to Defendant's motion for attorney fees.

The Court addressed the parties' arguments below.

II. BILL OF COSTS

Defendants have submitted Bills of Costs in the following amounts:

Fees for service of summons and subpoenas	$ 120.00
Fees for court reporter	$ 2,389.00
Fees for witnesses	$ 40.00
Fees for photocopying	$ 1,630.80
Docket fees	$ 20.00
Total:	$ 4,199.80
Costs as shown on Mandate of Court of Appeals	$ 103.24

Plaintiff objects to two of the above items: the fees for court reporters and the fees for photocopying.

A. Court Reporter Fees

Plaintiff objects to the inclusion of all fees for the transcription of depositions that were not actually submitted to the Court in connection with any of the claims on which Defendants' motion for summary judgment was based. The Court is authorized to tax as costs the "[f]ees of the court reporter for all or any part of the stenographic transcript necessarily obtained for use in the case." 28 U.S.C.§ 1920(2). The Sixth Circuit follows the majority rule in construing this rule to permit the prevailing party to recover the costs of "taking and transcribing depositions reasonably necessary for the litigation. . . Necessity is determined as of the time of taking." *Sales v. Marshall*, 873 F.2d 115,120 (6th Cir. 1989).

Defendants' expenditures for deposition transcription fees break down as follows:

Deposition of Plaintiff's Agent	$1,032.80
Deposition of Third-Party Defendant's Agent	$ 271.80
Depositions of Nonparties Lammy & Pleiness	$ 572.40
Copies of Depositions taken by Plaintiff of Defendants' Agents	$ 512.00
Total:	$2,389.00

The Court finds that it was reasonable for Defendants to depose the agents of the opposing parties in this case, and those expenses are approved. Plaintiff does not object to the costs for the depositions of Lammy and Pleiness, and those expenses are approved. The general rule is that a prevailing party is entitled to have the cost of purchasing a copy of its own deposition taxed as costs, as long as such purchase is reasonably necessary for the litigation, *Deaton v. Dreis & Krump Mfg. Co.*, 134 F.R.D. 219 (N.D. Ohio 1991) (citing 10 Wright, Miller & Kane, Federal Practice & Procedure § 2676, at 339-41 (1983)), and those expenses are approved. The Court approves the $2,389.00 in court reporting fees in its entirety.

B. Photocopying Fees

Defendants have requested $1,630.80 in photocopying fees. Plaintiff objects to the inclusion of all photocopying fees on the ground that no itemization or documentation has been supplied upon which to justify that claim. Defendants respond that the $1,630.80 represents the cost incurred in making 8,154 copies, and that counsel's files pertaining to this case take up eighteen inches of space, plus two and a half "banker's boxes," but they provide no documentation of the purpose or content of the 8,154 copies.

While a prevailing party need not identify every photocopy made for use in the course of legal proceedings, the amount sought must be documented in a way that permits the Court meaningfully to evaluate that party's fee request. *United States v. Briggs*, 920 F.2d 287 (5th Cir. 1991); *Yaris v. Special School Dist.*, 604 F. Supp. 914, 915 (E.D. Mo. 1985). Unsubstantiated claims that the copies were necessary are insufficient to permit recovery; at the very least,

Defendants must provide an explanation of what types of documents were copied, who was in possession of the originals, the purpose for which the documents were copied, and why the copies were necessary to the litigation. *Grady v. Bunzl Packaging Supply Co.*, 161 F.R.D. 477, 479 (N.D. Ga. 1995). This Defendants have failed to do. Therefore, the photocopying expenses are disallowed.

C. Summary

Defendants are entitled to the following costs:

Fees for service of summons and subpoenas	$ 120.00
Fees for court reporter	$2,389.00
Fees for witnesses	$ 40.00
Docket fees	$ 20.00
Costs as shown on Mandate of Court of Appeals	$ 103.24
Total:	$ 2,672.24

III. MOTION FOR ATTORNEY FEES AND MOTION TO STRIKE

Plaintiffs have moved for attorney fees on two grounds. First, they allege that plaintiff engaged in inequitable conduct before the PTO. Second, they allege that Plaintiff engaged in vexatious, unjustified litigation in the prosecution of this case. Plaintiff has moved to strike Defendants' reply to its opposition to Defendants' motion for attorney fees.

A. Motion to Strike

The Court first addresses Plaintiff's motion to strike. Plaintiff has moved to strike Defendants' reply brief on the ground that it is of improper scope, redundant, and unnecessary. Defendants respond that their brief addresses arguments made for the first time in Plaintiff's opposition to their motion for attorney fees, and is proper in scope.

The Court may order stricken from any pleading any "redundant, immaterial, impertinent, or scandalous matter." Fed. R. Civ.

P. 12(f). The purpose of a motion to strike "is to avoid the expenditure of time and money that must arise from litigating spurious issues by dispensing with those issues prior to trial." *Kennedy v. City of Cleveland*, 797 F.2d 297, 305 (6th Cir. 1986) (*quoting Sidney-Vinstein v. A.H. Robins Co.*, 697 F.2d 880, 885 (9th Cir. 1983)). Motions to strike under Rule 12(f) are generally disfavored, and are granted only if the claim pressed both is insufficient as a matter of law and prejudices the party against whom the claim is brought. *Tucker v. A&P Food Stores*, 9 F.R.D. 607 (N.D. Ohio 1949); *Moore v. C.A. Olsen Mfg. Co.*, 7 F.R.D. 269 (N.D. Ohio 1944). Matter will generally not be stricken unless the movant demonstrates that it can have no possible bearing on the subject matter of the litigation. 2A James W. Moore, Federal Practice ¶ 12.21[2] (2d ed. 1995).

Plaintiff's motion to strike is not well taken. First, a motion to strike is not appropriate with regard to motions, affidavits, or any matter other than that contained in the actual pleadings. Id. ¶ 12.21[1]. Second, even if Defendants' reply were subject to a motion to strike, the arguments contained in that reply are not "redundant, immaterial, impertinent, or scandalous matter" that can have no possible bearing on the subject matter of the litigation. The reply brief here at issue contains no more repetition of Defendants' earlier arguments than is common to reply briefs generally, and it addresses issues pertinent to the motion. Therefore. Plaintiff's motion to strike is denied.

B. Motion for Attorney Fees

1. Attorney Fees in Patent Litigation

The District Court is empowered, in exceptional cases, to award reasonable attorney fees to the prevailing party in a patent case. 35 U.S.C. § 285. In deciding a motion for attorney fees in a patent case, the Court engages in a two-step analysis. *J.P. Stevens Co., v. Lex Tex Ltd.*, 822 F.2d 1047, 1050 (Fed. Cir. 1987). First, the Court must determine whether there are exceptional circumstances, such as inequitable conduct during the prosecution of a patent, misconduct during litigation, vexatious or unjustified litigation, or a frivolous suit. *Bayer Aktiengesellschaft v. Duphar Int'l Research B.V.*,

738 F.2d 1237, 1242 (Fed. Cir. 1984). Second, if exceptional circumstances are found, the Court must determine whether those circumstances justify an award of attorney fees. Such an award is justified only where the losing party has acted in such bad faith that it would be grossly unjust for the prevailing party to bear the burden of its own attorney fees. *Rohm & Haas Co. v. Crystal Chem. Co.*, 736 F.2d 688, 691 (Fed Cir. 1984).

2. Inequitable Conduct Before the Patent and Trademark Office

Defendants' first argument in support of their motion for attorney fees is that Plaintiff engaged in inequitable conduct before the PTO in the prosecution of its patent. Specifically, Defendants claim that Plaintiff intentionally failed to disclose to the PTO the existence of a material piece of prior art, Patent No. 4,524,037 (the "'037 patent"), held by Michel Marc.

An party alleging inequitable conduct for a failure to disclose musts show: "(1) prior art or information that is material; (2) knowledge chargeable to the applicant of that prior art or information and of its materiality; and (3) failure of the applicant to disclose the art or information resulting from an intent to mislead the PTO." *FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411, 1415 (Fed. Cir. 1987). Both materiality and intent must be proven by clear and convincing evidence. *Litton Systems v. Honeywell, Inc.*, 87 F.3d 1559, 1570 (Fed. Cir. 1996), *petition for cert. filed*, 65 U.S.L.W. 3417 (U.S. Nov. 26, 1996) (No. 96-874). "Information is 'material' when there is a substantial likelihood that a reasonable examiner would have considered the information important in deciding whether to allow the application to issue as a patent." *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1179 (Fed. Cir. 1995). The more material the omission, the less a showing of intent is required for the Court to reach a conclusion of inequitable conduct. *Litton*, 87 F.3d at 1570.

There can be no dispute in this case that the '037 patent was highly material prior art, that the applicant could fairly be charged with knowledge of the '037 patent, and that Plaintiff did not disclose the '037 patent. As to materiality, the '037 patent anticipates every claim in Plaintiff's application, and it was on the basis of the

'037 patent that this Court invalidated Plaintiff's patents. As to knowledge, Ohio Cellular president Donald Nelson admitted at his deposition that he knew of the method specified in the '037 patent as early as 1984.

The parties disagree as to whether Nelson knew of the '037 patent's materiality, and whether Nelson's failure to disclose the prior art resulted from an intent to mislead the PTO. A brief history of the prosecution history of Plaintiff's patents will aid in resolving these issues.

Ohio Cellular is a corporation engaged in the production of products, primarily football and other athletic protective pads, utilizing a foamed cross-linked polyolefin ("FXLPO") composite. In 1998, Nelson and inventor James Lammy applied for a patent on a method of forming an FXLPO article in which the FXLPO foam is precut, placed in a mold without preheating, heated while in the mold, and cooled and removed in finished form.

Defendants manufacture FXLPO products in competition with Ohio Cellular, and use a compression molding process similar to the one covered by Plaintiff's patent, except that it preheats its FXLPO preforms. After Plaintiff received the patent on its compression molding process, Plaintiff sent Defendant Adams a copy of the patent with an accompanying letter demanding that Defendants cease and desist from any infringement. Adams responded, denying that it was infringing because it preheated the FXLPO preforms. The parties employed a jointly selected investigator, Professor J. Thomas Lindt, who conducted measurements and reported that Adams' preforms had been preheated to average surface temperatures of 174°-246°F. Based on that report, Plaintiff advised Adams that it did not intend to pursue its infringement claim.

The day after Professor Lindt's inspection, Nelson and Lammy filed a supplemental patent application, attempting to broaden the scope of the patent to include preheated preforms at any temperature up to a point the material became "sticky/tacky," in order to cover the process Adams was using. Lammy subsequently refused to sign the Continuation application on the advice of his counsel,

who believed that the process was anticipated by the '037 patent, which also describes a method for compression molding an FXLPO article in which the FXLPO foam is precut, placed in a mold without preheating, heated while in the mold, and cooled and removed in finished form.

Nelson continued to prosecute the Continuation application. He informed the PTO that he believed Lammey had refused to sign the Continuation application because of concerns that it might have been covered by a patent issued to Michel Marc. Nelson referred the PTO to three Marc patents dealing with flow molding, rather than compression molding. He did not inform the PTO about the existence of Marc's '037 patent.

a. Knowledge of Materiality

The first issue is whether Nelson knew, or should have known, that the '037 patent was material to his patent application. An applicant who knows of the prior art cannot intentionally avoid learning of its materiality through gross negligence. *FMC*, 835 F.2d at 1415.

In this case, Nelson knew about the '037 patent and was familiar with the compression molding process described therein. Nelson also knew that Lammy had refused to sign the Continuation application on the advise of counsel in the belief that the '037 patent anticipated Plaintiff's invention. On these facts, no reasonable inventor could believe that a patent examiner would not consider the information important in deciding whether to allow the application to issue as a patent. The Court finds that Nelson, and therefore Plaintiff Ohio Cellular, was chargeable not only with the information that the '037 patent existed, but that such patent was material to Plaintiff's patent application.

b. Intent to Mislead

The second issue is whether Nelson's failure to disclose the prior art resulted from an intent to mislead the PTO. Where a patent applicant has failed to disclose material information, clear and con-

vincing evidence must show that the applicant made a deliberate decision to withhold a known material reference. *Molins*, 48 F.3d at 1181. Intent to mislead may be inferred from the facts and circumstances surrounding the applicant's conduct. *Paragon Podiatry Lab. v. KLM Lab.*, 984 F.2d 1182, 1189-90 (Fed. Cir. 1993).

In this case, Nelson was on notice that the '037 patent was material to his application. He knew that his co-inventor had refused to sign the Continuation application on the advice of counsel, because the '037 patent anticipated the claims in his application. He failed to disclose the highly material '037 patent, instead disclosing three less relevant patents held by the same inventor. Even after the patent examiner issued a formal attachment stating that the patent was allowed to issue because the examiner was unaware of any prior technology showing the molding of FXLPO articles with the preform being placed in the mold in a non-tacky state before heating the mold, and knowing that the '037 patent described such a process, Nelson did not disclose the '037 patent to the PTO.

In determining whether Nelson's conduct manifests a sufficiently culpable state of mind to warrant a determination that it was inequitable, the Court is guided by the reasoning of two cases similar to the one at bar. *LaBounty Mfg, v. United States Int'l Trade Comm'n*, 958 F.2d 1066 (Fed. Cir. 1992), and *True Temper Corp, v. CF&I Steel Corp.*, 601 F.2d 495 (10th Cir. 1979). The plaintiff-patentee in *LaBounty* was a metal shear manufacturer that designed and patented a heavy duty shear comprised of an upper jaw with a single movable cutting blade and a stationary lower jaw with one cutting blade and one guide blade. In its patent application, LaBounty disclosed two prior art devices, one of which was a two-bladed shear and one of which was a three-bladed shear with two lower cutting blades. LaBounty failed to disclose two prior art three-blade shears, denominated the "Adamo/Dodge" and "Ace" shears, which had lower jaws with one cutting blade and one guide blade, like LaBounty's. The Federal Circuit found that "the structure of the two [undisclosed] shears was far closer to that called for in the [LaBounty] patent than the prior art cited to the examiner by

LaBounty." 958 F.2d at 1075.

During prosecution of the patent, LaBounty focused on the guide blade feature of its shear to overcome a rejection based on the disclosed three-blade shear. The guide blade was a feature of the undisclosed shears. The Federal Circuit found that

> Had LaBounty's own prior art devices been disclosed to the PTO, the conclusion is inescapable that the prosecution would not have focused merely on the [three-blade shear] which did not have the critical [guide blade] feature. Thus, the evidence amply supports an inference that LaBounty acted with culpable intent to mislead or deceive the PTO by withholding its own known prior art devices and by making an argument for patentability which could not have been made had the art been disclosed.

Id. at 1076. The Federal Circuit then rejected LaBounty's argument that inequitable conduct for failure to disclose should not be found because the issues were close. It found that "[o]n the contrary, that makes it all the more necessary that the devices should have been disclosed to the examiner. Close cases should be resolved by disclosure, not unilaterally by the applicant." *Id.* The Federal Circuit thus affirmed the International Trade Commission's determination that the plaintiff's patent was unenforceable on grounds of inequitable conduct.

The plaintiff-patentee in *True Temper* designed and patented a process for producing steel rail anchors by means of a four-station hot-forming press, with automatic transfer from station to station, a different formation occurring at each station, and simultaneous formation at each station. In its patent application, True Temper disclosed two prior art patents, but failed to disclose certain other examples of prior art which were "more pertinent to [True Temper's] process than the cited patents." 601 F.2d at 505. Notably, the undisclosed prior art included a process used by True Temper in the manufacture of other rail anchors, which process was virtually identical to the patented process except for the automatic transfer feature, and another process used by True Temper that was fully auto-

matic. The trial court found, and the Tenth Circuit affirmed, that:

> had the Patent Office been aware of these systems, which together taught manufacture of channel-shaped rail anchors using heated metal blanks of plate thickness, with automatic transfer from station to station in synchronization with the ram of the press, the Office may well have decided differently on the patentability of the [True Temper] device. * * * [I]t was a breach of True Temper's duty to the Patent Office not to disclose such prior art which was clearly within its knowledge and which it should have realized was highly pertinent.

Id. at 507-08. The trial court's holding that True Temper's patent was unenforceable due to misconduct before the Patent Office was affirmed.

LaBounty and *True Temper* stand for several principles relevant to the issue at bar. First, the necessary intent to support a finding of inequitable conduct may be inferred from the facts and circumstances surrounding the applicant's conduct even in the absence of a "smoking gun." Second, an applicant's failure to disclose material information of which it is aware while disclosing less relevant prior art can support an inference of intent to mislead. Third, intent to mislead or deceive the PTO can be shown if an applicant withholds its own known prior art devices and makes an argument for patentability which could not have been made had the art been disclosed. Finally, the applicant has a duty to disclose all potentially material prior art in close cases, rather than unilaterally determining that a prior art device is not relevant.

Applying those principles to the issue here presented, the Court finds that Plaintiff failed to disclose material information of which it was aware, the '037 patent, although it disclosed less relevant prior art. The Court finds further that Plaintiff made an argument for patentability—the molding of FXLPO articles with the preform being placed in the mold in a non-tacky state—which could not have been made had the '037 patent been disclosed. Plaintiff unilaterally determined not to disclose the '037 patent, although it was on notice that the applied-for patent might be covered, rather than

allowing the patent examiner to determine whether the '037 patent was material. As in *LaBounty* and *True Temper*, the PTO would likely have decided differently on the issue of patentability had it known of the '037 patent. These facts support a finding that Plaintiff's conduct toward the PTO in prosecuting its patents was inequitable, and the Court so finds.

3. Vexatious and Unjustified Litigation

Defendants' second argument in support of their motion for attorney fees is that Plaintiff engaged in vexatious, unjustified litigation by bringing an infringement action it knew or should have known was baseless, and by continuing to prosecute that action even after prelitigation discovery showed unequivocally that Plaintiff's suit was without merit. A patentee engages in vexatious litigation that may warrant the imposition of attorney fees when it files or maintains a suit which it knows, or on reasonable investigation should know, is baseless. *Haynes Intl., Inc. v. Jessop Steel Co.*, 8 F.3d 1573, 1579 (Fed. Cir. 1993), *decision clarified on reh'g*, 15 F.3d 1076 (Fed. Cir. 1994). *Eltech Sys. Corp. v. PPG Indus.*, 710 F. Supp. 622, 626 (W.D. La. 1988), *aff'd in part*, 903 F.2d 805 (Fed. Cir. 1990).

Defendants allege two grounds on which Plaintiff knew or should have known that its suit was baseless: (1) Plaintiff's patent was invalid and/or unenforceable, and therefore could not be infringed; and (2) even if Plaintiff's patent had been valid, Defendants' conduct could not violate the patent because Defendants preheated their FXLPO forms, and the original patent specifies no preheating. Defendants' first argument is based on the same rationale that supported the Court's finding, *supra*, that Plaintiff engaged in inequitable conduct in the prosecution of its patent application. The Court addresses Defendants' second argument below.

Plaintiff first gave Defendant Adams notice of its infringement claim in mid-1990, when Plaintiff accused Adams of infringing the original patent, which specified that the FXLPO foam be placed in a mold without preheating, and demanded that Adams cease and

desist from such infringement. Plaintiff alleges that, at the time, it believed Adams did not preheat its preforms. Adams informed Plaintiff that it was not in violation of the patent because it preheated its FXLPO preforms. Tests performed shortly thereafter by Plaintiff's investigator confirmed that Adams did in fact preheat its preforms, and did not infringe the patent. The day after Plaintiff learned that the Adams process did not infringe its patent, it filed a supplemental patent application, attempting to broaden the scope of the patent ti include preheated FXLPO preforms in order to cover the process Adams was using. After patent was awarded on the Continuation application, Plaintiff brought this lawsuit.

Defendants allege several improprieties in the maintenance of the lawsuit on these facts, even had the patents been valid. First, they allege Plaintiff knew the suit was baseless because it knew at the time of instituting suit that Defendants preheated their preforms, and were not infringing the original patent. That contention is erroneous. Plaintiff did not commence suit until May, 1994, at which time it held the second patent, which covered preheated preforms. No showing has been made that Plaintiff's suit would have been baseless had the second patent been valid.

Second, Defendants allege that Plaintiff's procurement of the second patent to cover the Adams process constituted bad faith. The Court disagrees.

> [T]here is nothing improper, illegal or inequitable in filing a patent application for the purpose of obtaining a right to exclude a known competitor's product from the market; nor is it any manner improper to amend or insert claims intended to cover a competitor's product the applicant's attorney has learned about during the prosecution of a patent application.

Kingsdown Med. Consultants Ltd. v. Hollister Inc., 863 F.2d 867, 874 (Fed. Cir. 1988). What made Plaintiff's conduct in prosecuting the Continuation application wrongful was not the fact that Plaintiff was attempting to cover Adams' process. Plaintiff's conduct was wrongful because, and only because, Plaintiff knowingly withheld

material information from the PTO in the prosecution of that application. Had the patents been valid, and had Plaintiff made the necessary disclosures, prosecution of the Continuation application would not have been bad faith.

Defendants' remaining allegations about misconduct during the course of this litigation generally boil down to a complaint that Plaintiff commenced and continued its suit when it knew, or should have known, that its patents were invalid. Plaintiff opposes those allegations by arguing that if Defendants truly believed the patents to be anticipated, they could have avoided suit be requesting reexamination of the patent pursuant to 35 U.S.C.§ 302, in order to have the patent voided. Plaintiff has cited to no case law holding that an accused infringer must file a request for reexamination as a prerequisite to a finding that the patentee acted in bad faith in instituting a lawsuit, nor has Plaintiff put forth any convincing justification that would induce this Court to force an innocent defendant to institute and pay for an otherwise unnecessary administrative procedure before obtaining the statutory relief authorized under 35 U.S.C. § 285. The Court has already found that Plaintiff's conduct before the PTO was inequitable. Plaintiff knew, or should have known, that its failure to disclose the '037 patent would render its patents unenforceable.

The issue then becomes whether Plaintiff was on sufficient notice that its patent was invalid or unenforceable as to justify a determination that it brought the instant action in bad faith. Although the issue is somewhat close, the Court finds that Defendants have not shown by *clear and convincing* evidence that such was the case. Although the standard for bad-faith litigation is generally defined as litigation which the patentee "knows or should know" is baseless, the Federal Circuit has made it clear that an award of attorney fees must be premised on a finding of actual wrongful intent or of gross negligence, which has been defined as "willful, wanton, or reckless misconduct, or evidence of utter lack of all care." *Machinery Corp. of Am. v. Gullfiber AB.*, 774 F.2d 467, 473 (Fed. Cir. 1985); *see also Xantech Corp. v. Ramco Indus.*, 706 F. Supp. 661,

666 (N.D. Ind. 1988). Defendants have shown that Plaintiff was on notice that its suit was baseless because its patents were invalid, but they have not shown the requisite level of reckless misconduct to justify a finding that Plaintiff engaged in bad-faith litigation.

4. Does Plaintiff's Conduct Justify an Award of Attorney Fees?

In sum, the Court finds that Plaintiff's conduct before the PTO was inequitable, but that Plaintiff has not been shown to have engaged in bad-faith litigation. Since Plaintiff's inequitable conduct before the PTO makes this an "exceptional case" in which an award of fees is authorized, the Court must, in its discretion, determine whether Plaintiff's conduct was so egregious as to warrant the imposition of fees.

The Court finds that this case is one in which Plaintiff has acted in such bad faith that it would be grossly unjust to require Defendants entirely to bear the burden of their own attorney fees. Although Defendants have not shown by clear and convincing evidence that Plaintiff conducted the entire litigation in subjective bad faith, Plaintiff's inequitable conduct before the PTO is in itself sufficient reason to warrant the imposition of attorney fees. Furthermore, since Plaintiff was on notice that its patents were invalid and/or unenforceable, it should have known that its suit against Defendants would be meritless. Plaintiff's conduct required the Defendants to expend significant money and time defending against a suit that never should have been brought.

Therefore, Defendants' motion for attorney fees is granted, Defendants are granted thirty (30) days in which to submit the amount of fees requested and the documentation supporting such request.

IT IS SO ORDERED.

/s/ DAVID A. KATZ
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
WESTERN DIVISION

(Dated Sept. 25, 1997)

OHIO CELLULAR PRODUCTS CORPORATION,

Plaintiff,

Case No. 3:94 CV 7251

-vs-

JUDGMENT ENTRY

ADAMS USA, INC., *et al.*,

Defendants.

KATZ, J.

For the reasons stated in the Memorandum Opinion filed contemporaneously with this Judgment Entry, IT IS HEREBY ORDERED, ADJUDGED and DECREED that Plaintiff's motion for reconsideration (Doc. No. 98) is denied. Defendants are granted thirty (30) days in which to submit the amount of fees requested and the documentation supporting such request.

/s/ DAVID A. KATZ
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
WESTERN DIVISION

(Dated Sept. 25, 1997)

OHIO CELLULAR PRODUCTS CORPORATION,

Plaintiff,

-vs.-

ADAMS USA, INC., *et al.*,

Defendants.

Case No. 3:94 CV 7251

MEMORANDUM OPINION
(Resolves Doc. No. 98)

KATZ, J.

This matter is before the Court on Plaintiff's Motion to Reconsider and Vacate its Judgment Entry granting Defendants' motion for Attorney Fees. The Court conducted an evidentiary hearing on Plaintiff's motion on May 6, 1997, and accepted additional evidentiary material and briefs thereafter. For the following reasons, Plaintiff's motion will be denied.

I. PROCEDURAL BACKGROUND

Plaintiff brought this patent infringement action against Defendants on May 19, 1994. In a judgment rendered on October 11, 1995, this Court found that the patents Plaintiff sought to enforce against Defendants were invalid, and granted Defendants' motion for summary judgment. That finding was subsequently affirmed by the Court of Appeals for the Federal Circuit.

Defendants then moved for attorney fees on the dual grounds that Plaintiff engaged in inequitable conduct before the Patent and Trademark Office ("PTO"), and that Plaintiff engaged in vexatious and/or unjustified litigation. In a judgment rendered on February 12, 1997, this Court granted the motion for attorney fees on the sole

ground that Plaintiff had engaged in inequitable conduct before the PTO.

That finding was based on a determination that Plaintiff had intentionally failed to disclose to the PTO the existence of a material piece of prior art, Patent No. 4,524,037 (the "'037 patent"), held by Michel Marc. A finding of inequitable conduct for failure to disclose prior art to the PTO is based upon a showing, by clear and convincing evidence, of: "(1) prior art or information that is material; (2) knowledge chargeable to the applicant of that prior art or information and of its materiality; and (3) failure of the applicant to disclose the art or information resulting from an intent to mislead the PTO." *FMC Corp. v. Manitowoc Co.*, 835 F. 2d 1411, 1415 (Fed. Cir. 1987). Thus, an essential element of this Court's prior determination was a finding that Plaintiff was chargeable with knowledge of the relevant prior art—the '037 patent—and of its materiality.

Plaintiff has moved for reconsideration of this Court's factual determination that Plaintiff's president, Donald NeIson, had actual knowledge of the Marc '037 patent, of the radio frequency molding process described therein, and of the materiality of that information to his own patent application. Nelson testified at the May 6, 1997 evidentiary hearing that he did not know of the radio frequency molding process described in the '037 patent in any detail, and did not know that such process was covered by the '037 patent.

II. FACTUAL BACKGROUND

A brief history of the prosecution history of Plaintiff's patents will aid in resolving the issue at bar. Plaintiff Ohio Cellular Products Corporation is engaged in the production of products, primarily football and other athletic protective pads, utilizing a foamed cross-linked polyolefin ("FXLPO") composite. In 1988, Nelson and co-inventor James Lammy applied for a patent on a method of forming an FXLPO article in which the FXLPO foam is precut, placed in a mold without preheating, heated while in the mold, and cooled and removed in finished form.

Defendant Adams manufactures FXLPO products in competition with Ohio Cellular, and use a compression molding process similar to the one covered by Plaintiff's patent, except that it preheats its FXLPO preforms. After Plaintiff received the patent on its compression molding process, Plaintiff sent Adams a copy of the patent with an accompanying letter demanding that Adams cease and desist from any infringement. Adams responded, denying that it was infringing because it preheated the FXLPO preforms. The parties employed a jointly selected investigator, Professor J. Thomas Lindt, who conducted measurements and reported that Adams' preforms had been preheated to average surface temperatures of 174° - 246° F. Based on that report, Plaintiff advised Adams that it did not intend to pursue its infringement claim.

The day after Professor Lindt's inspection, Nelson and Lammy filed a supplemental patent application, attempting to broaden the scope of the patent to include preheated preforms at any temperature up to the point the material became "sticky/tacky," in order to cover the process Adams was using. Lammy subsequently refused to sign the Continuation application on the advice of his counsel, who believed that the process was anticipated by the '037 patent, which also describes a method for compression molding an FXLPO article in which the FXLPO foam is precut, placed in a mold without preheating, heated while in the mold, and cooled and removed in finished form.

Nelson continued to prosecute the Continuation application. He informed the PTO that he believed Lammy had refused to sign the Continuation application because of concerns that it might have been covered by a patent issued to Michel Marc. Nelson referred the PTO to three Marc patents dealing with flow molding, rather than compression molding. He did not inform the PTO about the existence of Marc's '037 patent. Nelson's patent application was granted. The patent examiner issued a formal attachment to the patent, stating that the patent was allowed to issue because the examiner was unaware of any prior technology showing the molding of FXLPO articles with the preform being placed in the mold in a non-tacky state before heating the mold.

This Court subsequently invalidated both of Nelson's patents on the ground that the '037 patent anticipated every claim in Plaintiff's application.

III. MOTIONS FOR RECONSIDERATION GENERALLY

While a motion for reconsideration is not mentioned in the Federal Rules of Civil Procedure, it serves a legitimate and valuable role in certain situations. *Nat 'I Union Fire Ins. Co. v. Continental Illinois Corp.*, 116 F.R.D. 252, 253 (N. D. Ill. 1987) (citing *Above the Belt, Inc. v. Mel Bohannon Roofing, Inc.*, 99 F.R.D. 99 (E.D. Va. 1983)). Generally, there are three major situations which justify a court reconsidering one of its orders: "(1) an intervening change in controlling law; (2) the availability of new evidence; and (3) the need to correct clear error or to prevent manifest injustice." *Kern-Tulare Water Dist. v. Bakersfield*, 634 F. Supp. 656, 665 (E.D. Cal. 1986), *aff'd in part, rev'd in part* 828 F.2d 524 (9th Cir. 1987). However, the motion for reconsideration must demonstrate to the court why it should reconsider its decision and set forth strongly convincing facts or law which would induce it to reverse its prior decision. *Shields v. Shetler*, 120 F.R.D. 123, 126 (D. Colo. I988). Motions for reconsideration are not substitutes for nor are they vehicles whereby a party may present arguments inexplicably omitted in prior proceedings. *Karr v. Castle*, 768 F. Supp. I087, 1093 (D. Del. 1991) (citing *Brambles U.S.A., Inc. v. Blocker*, 735 F. Supp. 1239 (D. Del. 1990)).

IV. PLAINTIFF'S MOTION FOR RECONSIDERATION

Plaintiff does not allege that there has been an intervening change in the law controlling this case, or that dispositive evidence has newly become available to it. Rather, it claims that reconsideration is necessary to correct clear error or to prevent manifest injustice. Specifically, it claims, and Nelson has testified, that Nelson did not know specifically of the existence of the Marc '037 patent or the specifics of how that patented process worked.

A. The Evidentiary Hearing

At the evidentiary hearing, Nelson testified that he had seen a brief demonstration of the process described in the '037 patent during the 1980's, but that the machine was largely hidden by a curtain, and the engineers performing the demonstration were so secritive about the process that he learned no details of how the process worked and did not know the steps that were involved. He testified that he assumed, but was not told, that the process was patented, and that he did not hear Michel Marc's name associated with the process.

Defendants, in opposition, submitted the deposition testimony of an engineer, Peter Halstead, who was with Nelson at the demonstration at issue. Halstead described what he saw as follows:

> Q: Okay. And you got to view that process?
> A: Yes.
> Q: Describe for us what you were able to view?
> A: Parts were laid out pre-die cut I guess is the word, they were, you know, approximately the size of the mold; they were placed in the mold, a rotary environment, if you will; operator stood in one place, placed them in the mold, and they rotated around, and another mold was there for the operator to fill, and the mold that rotated around went under a radio frequency discharge unit which emitted a radio frequency which is along the orders of a microwave in the way it heats things, certain heating cycle or cycling, which this thing is in this radio frequency which is a press I guess which squeezes the mold and emits this frequency and then it opens up and then rotates to the next station and then eventually comes back around, and there's a cooling cycle there, and then it comes back around to the operator who opens the mold, takes out the part, puts in the next blank, and it repeats itself.

(Halstead Depo. at 9-10.)

> Q: Was there anything explained to you as being confidential about that process?
> A: Well, the confidential nature was exactly how they had set the heating cycle and the dwell time and that there was some additive, if you will, to the foam that made it susceptible to radio frequency waves.
> Q: What do you mean by the phrase "dwell time"?
> A: How long it stayed at different work stations.
> Q: But as far as the steps and the stations, the stations and the steps of the process, that was demonstrated to you?
> A: Oh, yeah, uh-huh. Stand right there and watched the machine go around several times, and then questions were, you know, "Gosh! How much pressure's on it? How much radio frequency is there? How long is the radio frequency on for?" And those were not available to us, those specifics.

(*Id.* at 13-14.)

> Q: And Mr. Nelson was present when that process was demonstrated?
> A: Yes, he was.
> Q: What was secret if anything about the process?
> A: The specific settings of the machine and the exact additive to the foam that allowed it to be reactive to this.
> Q: But the actual steps of the process were not presented to you as confidential or secret?
> A: Huhm. No. No the steps of the process certainly weren't.

(*Id.* at 27-28.)

Halstead concurs in Nelson's assertion that the radio frequency molding process was not represented as being covered by the '037 patent, and that Michel Marc's name was not associated with the process during the demonstration.

B. The Parties' Arguments

If Halstead's testimony is accepted, the Court must conclude that Nelson knew as early as the mid-1980's that another method existed for compression molding an FXLPO article in which the FXLPO foam is precut, placed in a mold without preheating, heated

while in the mold, and cooled and removed in finished form. If Nelson knew of that method and did not disclose it to the PTO, Plaintiff is subject to an award of attorney fees on the ground of inequitable conduct before the PTO.

Plaintiff has filed a supplemental brief in which it raises three general arguments in response to Halstead's testimony: (1) Plaintiff suggests that Halstead's testimony is not credible; (2) Plaintiff argues that, even if Halstead's testimony is credited, such testimony does not indicate that Nelson had reason to know the FXLPO foam was compressed during the molding process; and (3) Plaintiff argues that Nelson's lack of knowledge that the process was covered by the Marc '037 patent precludes a finding of inequitable conduct.

As to Plaintiffs first argument, the Court disagrees. Despite his ongoing business relationship with Defendant, Halstead had no motive to fabricate his testimony. Furthermore, the details of Halstead's testimony describing the process comport with other descriptions of the Marc '037 process.

Plaintiff's second argument is not relevant to the issue of whether Plaintiff engaged in inequitable conduct before the PTO. The patents invalidated by this Court are silent on the issue of whether the mold is to be closed with or without compression, and the Court has already held that the existence or nonexistence of compression is irrelevant to the question of patent validity in this case. Since compression or the lack thereof is not relevant to the patents in issue, Halstead's failure to mention compression cannot save PIaintiff from a finding of inequitable conduct.

Nor is Plaintiff's third argument relevant to the issue of whether Plaintiff engaged in inequitable conduct before the PTO. An applicant for a patent is obliged to disclose all of the *information* he has that is relevant to his patent application – not only relevant patents of which he is aware. 37 C.F.R. § I.56. Since Nelson's failure to disclose a known process is sufficient to justify a finding of inequitable conduct regardless of whether he also knew the process was patented, his lack of knowledge that the process was covered by the

'037 patent cannot save PIaintiff from a finding of inequitable conduct.

III. CONCLUSION

Based on the depositions, affidavits, and testimony adduced at the evidentiary hearing, the Court finds that Donald Nelson knew, prior to 1992 of the existence of a process whereby (1) FXLPO foam was precut, (2) placed in a mold without preheating, (3) heated while in the mold, and (4) cooled and removed in finished form. Nelson did not disclose that information to the PTO in the process of prosecuting his two patent applications, although he knew the information was material. The Court finds further that Nelson's conduct manifests a sufficiently culpable state of mind to warrant a determination that it resulted from an intent to mislead the PTO. Therefore, Plaintiff is guilty of inequitable conduct before the PTO, and is liable to Defendants for their reasonable legal fees expended in this case.

Plaintiff's motion for reconsideration is denied. Defendants are granted thirty (30) days in which to submit the amount of fees requested and the documentation supporting such request.

IT IS SO ORDERED.

/s/ DAVID A. KATZ
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
WESTERN DIVISION

(Dated January 20, 1998)

OHIO CELLULAR PRODUCTS CORP.,

Plaintiff,

vs.

ADAMS USA, INC., *et al.*,

Defendants.

Case No. 3:94 CV 7251

JUDGMENT ENTRY
(Resolves Doc. No. 116)

KATZ, J.

For the reasons stated in the Memorandum Opinion filed contemporaneously with this Judgment Entry, IT IS HEREBY ORDERED, ADJUDGED and DECREED that Defendants are entitled to an award of $178,888.51 in costs and attorney fees, plus interest at the legal rate from February 12, 1997, against Plaintiff Ohio Cellular Products Corporation.

/s/ DAVID A. KATZ
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
WESTERN DIVISION

(Dated January 20, 1998)

OHIO CELLULAR PRODUCTS CORP.,

Plaintiff,

vs.

ADAMS USA, INC., *et al.*,

Defendants.

Case No. 3:94 CV 7251

MEMORANDUM OPINION
(Resolves Doc. No. 116)

KATZ, J.

This matter is before the Court on Defendant's bill of costs and petition for attorney fees. For the following reasons, Defendants' petition will be granted in the total amount of $178,888.51 plus interest accruing from February 12, 1997, at the rate provided by statute.

I. AMOUNT OF ENTITLEMENT

In their petition, Defendants claim entitlement to the following amounts:

Court reporter fees	$ 400.00
Witness fees	907.26
Transcript fees	15.00
Attorney fees: Foley & Lardner	16,851.09
Attorney fees: Camoriano & Smith	16,236.42
Attorney fees: Roach & Wheat	77,051.14
Attorney fees: Wheat, Camoriano, Smith & Beres	61,833.55
Attorney fees: Bunda, Stutz & DeWitt	5,594.05
Total	$178,888.51

Plaintiff does not object to the amounts of any of the costs and/or fees requested. The Court has reviewed the amounts requested and has determined that such amounts are reasonable. Therefore, Defendant's cost and fee petition is approved in the amount of $178,888.51.

THIRD-PARTY DEFENDANT'S OBJECTION

Third-party Defendant All American Sports Corporation ("All American") has filed an objection to the issuance of any fee award against it. It argues that it should not be held liable for the wrongful conduct involved in the prosecution of the '110 and '702 patents, since it was merely a purchaser of those patents. Defendant respond that All American should be held liable for such conduct, because any wrongdoing attributable to the patentee associated with obtaining the patent is imputed to any assignee thereof.

The Court agrees with All American. While it is blackletter law that "the assignee of a patent right takes it subject to the legal consequences of the previous acts of the patentee," *Worley v. Tobacco Co.*, 104 U.S. 340, 344, 26 L. Ed. 821 (1882), as to matters of enforceability such as validity and file wrapper estoppel, the Federal Circuit has held that the assignee of a patent can be liable for attorney fees in a patent infringement suit on grounds of inequitable conduct only if the assignee itself is found to have engaged in inequitable conduct; the applicant's inequitable conduct is not attributable to the assignee. *A.B. Chance Co. v. RTE Corp.*, 854 F.2d 1307, 1312-13 (Fed. Cir. 1988). No wrongdoing has been found on the part of All American. Therefore, it is not subject to an award of attorney fees for inequitable conduct.

III. TIMING OF INTEREST AWARD

Plaintiff has objected to Defendants' request for interest accrued after February 12, 1997, the date on which the Court determined that Defendants were entitled to attorney fees. It argues that interest should not be accrued until after the amount of the award has been determined.

Interest on an attorney fee award in patent cases runs from the date of the judgment establishing the right to the award, not the date of the judgment establishing the quantum.

Mathis v. Spears, 857 F.2d 749, 760-61 (Fed. Cir. 1988); *see also Friend v. Kolodzieczak*, 72 F.3d 1386 (9th Cir. 1995); *Foley v. City of Lowell*, 948 F.2d 10 (lst Cir. 1991). Therefore, Defendants are entitled to interest on the fee award from February 12, 1997.

IV. CONCLUSION

For the foregoing reasons, Defendants are entitled to an award of $178,888.51 in costs and attorney fees, plus interest at the legal rate from February 12, 1997, against Plaintiff Ohio Cellular Products Corporation.

IT IS SO ORDERED.

/s/ DAVID A. KATZ
UNITED STATES DISTRICT JUDGE

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
WESTERN DIVISION**

(March 25, 1998)

OHIO CELLULAR PRODUCTS
CORPORATION,

Plaintiff, Case No. 3:94 CV 7251

vs. JUDGMENT ENTRY

ADAMS USA, INC., *et al.*,

Defendants.

KATZ, J.

For the reasons stated in the Memorandum Opinion filed contemporaneously with this Judgment Entry, IT IS HEREBY ORDERED, ADJUDGED and DECREED that Defendants' motion for leave to amend their third-party complaint to name Donald E. Nelson as a third-party defendant in his individual capacity, and to amend the judgment in this action to include Nelson as an additional party against whom judgment is entered (Doc. No. 126) is granted.

/s/ DAVID A. KATZ
UNITED STATES DISTRICT JUDGE

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
WESTERN DIVISION**

(March 25, 1998)

OHIO CELLULAR PRODUCTS
CORPORATION,

Plaintiff, Case No. 3:94 CV 7251

vs. MEMORANDUM OPINION
(Resolves Doc. No. 126)

ADAMS USA, INC., *et al.*,

Defendants.

KATZ, J.

This matter is before the Court on Defendants' motion for leave to amend their third-party complaint to name Donald E. Nelson as a third-party defendant in his individual capacity, and to amend the judgment in this action to include Nelson as an additional party against whom judgment is entered. For the following reasons, Defendants' motion will be granted.

I. BACKGROUND

Plaintiff brought this patent infringement action against Defendants on May 19, 1994. In a judgment rendered on October 11, 1995, this Court found that the patents Plaintiff sought to enforce against Defendants were invalid, and granted Defendants' motion for summary judgment. That finding was subsequently affirmed by the Court of Appeals for the Federal Circuit.

Defendants then moved for attorney fees on the dual grounds that Plaintiff engaged in inequitable conduct before the Patent and Trademark Office ("PTO"), and that Plaintiff engaged in vexatious and/or unjustified litigation. In a judgment rendered on February 12, 1997, and reaffirmed on September 25, 1997, this Court, granted the motion for attorney fees on the sole ground that Plaintiff had engaged in inequitable conduct before the PTO. That finding was

grounded in a factual determination that Plaintiff's president and sole shareholder, Donald Nelson, had intentionally failed to disclose to the PTO the existence of a material piece of prior art, Patent No. 4,524,037, held by Michel Marc.

After entry of that judgment, the parties attempted to negotiate the amount of attorney fees. On October 13, 1997, in connection with the fee negotiations, Plaintiffs counsel sent Defendants' counsel a letter stating:

> I am writing to potentially save you some time. The fact is that if the attorney fee award exceeds a very limited amount, you will not collect it because the company will be liquidated. If you wish to discuss a resolution on a nominal basis, please let me know.

The negotiations were not successful. On October 27, 1997, Defendants submitted a fee petition and bill of costs to the Court. On January 20, 1998, this Court granted Defendants' fee petition in the total amount of $178,888.51 exclusive of interest.

On February 3, 1998, Defendants filed the motion at bar. They claim that if the judgment is not amended to subject Nelson to individual liability, they will be unable to collect all or most of the fees owed them. Plaintiff has filed opposition to that motion. Plaintiff argues that Defendants have not shown good cause for their failure to amend their third-party complaint before now, and claims that permitting the amendment Defendants request at this late date would deny Nelson his due process rights. Defendants have replied to Plaintiffs opposition. The Court discusses the parties' contentions below.

II. DISCUSSION

The Court has discretion to grant or deny a motion for leave to amend a complaint. *Foman v. Davis*, 371 U.S. 178, 182, 83 S. Ct. 227, 230, 9 L. Ed, 2d 222 (1962). Leave to amend is "freely given when justice so requires." Fed. R. Civ. P. 15(a). The Court may grant leave to amend a complaint even after entry of judgment if

justice so requires. *See, e.g., Kalman v. Berlyn Corp.*, 914 F.2d 1473, 1479-80 (Fed. Cir. 1990); *Fromson v. Citiplate, Inc.*, 886 F.2d 1300, 1302 (Fed. Cir. 1989). In determining whether to grant a motion for leave to amend, the Court considers factors including whether there is evidence of "undue delay, bad faith or dilatory motive on the part of the movant, repeated failure to cure deficiencies by amendments previously allowed, undue prejudice to the opposing party by virtue of allowance of the amendment," and whether amendment would be futile. *Foman*, 371 U.S. at 182, 83 S. Ct. at 230.

Plaintiff argues that Defendants have unduly delayed amendment of their third-party complaint, and that Nelson would be unduly prejudiced if such amendment is allowed. The Court agrees that Defendants could have moved to amend their complaint long before entry of final judgment on the motion for attorney fees in this case. The question here, however, is whether that delay was *undue*. Delay in itself is an insufficient ground to deny amendment; delay generally becomes undue only if the opposing party is prejudiced by reason of the delay. *See, e.g., Security Ins. Co. of Hartford v. Kevin Tucker & Assocs., Inc.*, 64 F.3d 1001, 1009 (6th Cir. 1995); *Datascope Corp. v. SMEC, Inc.*, 962 F.2d 1043, 1045 (Fed. Cir. 1992); *Ford Motor Co. v. United States*, 896 F. Supp 1224, 1231, (Ct. Int'l Trade 1995).

To show undue prejudice, the opposing party "must show that it was unfairly disadvantaged or deprived of the opportunity to present facts or evidence which it would have offered had the amendment [ ] been timely." *Cuffy v. Getty Ref. & Mktg. Co.*, 648 F. Supp. 802, 806 (D. Del. 1986). In determining whether there has been undue prejudice in a case such as this, the Court addresses: (1) whether Defendants' claim against Nelson arises out of the same conduct set forth in the original pleadings; (2) whether Nelson had notice sufficient to avoid prejudice to his defense and should have known that the action could have been brought against him; and (3) whether Nelson could be personally liable because he personally participated in or directed the wrongdoing that led to the corporation's liability. See *Fromson v. Citiplate, Inc.*, 10 U.S.P.Q.2d

1785, 1786-87, *aff'd*, 886 F.2d 1300 (Fed. Cir. 1989).

In this case, there is no dispute that Defendants' claim against NeIson arises out of the same conduct set forth in the original pleadings –inequitable conduct before the PTO. Indeed, the Court's finding that the Plaintiff corporation had engaged in inequitable conduct before the PTO was based on a factual determination that Nelson had intentionally failed to disclose a material piece of prior art to the PTO. Nelson personally claimed to be the inventor of the process for which he sought and obtained the patents that were subsequently invalidated by this Court. Nelson is the president and sole shareholder of the Plaintiff corporation. The evidence is clear that Nelson was personally involved in all aspects of the Plaintiff corporation's operations, including the prosecution of the invalid patents and the filing of the instant lawsuit.

Nor is there any dispute that Nelson had notice sufficient to avoid prejudice to his defense and should have known that the action could have been brought against him. The notice requirement is satisfied if there is a sufficient "identity of interest" between the original defendant and the newly added defendant, so that the institution of an action against one serves to provide notice of the litigation to the other. *Jacobsen v. Osborne*, 133 F.3d 315, 320 (5th Cir. 1998); *Fromson*, 886 F.2d at 1304, *Hernandez Jimenez v. Calero Toledo*, 604 F.2d 99, 102-03 (1st Cir. 1979). Nelson is the president and sole shareholder of the Plaintiff corporation; thus, the identity of interest between the two parties is near-complete. Nelson had every reason to believe from the moment the Plaintiff corporation instituted this action that every penny the corporation spent would be a penny out of his own pocket. Further, Nelson has been actually aware of and involved in this litigation from its outset; he was the motivating force behind the institution of the lawsuit. He has diligently—even fiercely—acted to protect his interests at every stage of the proceedings.

Finally, Nelson was on notice that Defendants' claim could have been brought against him personally, and that he might personally be liable for the Plaintiff corporation's tortious conduct. It is well

accepted that the officers of a corporation are personally liable for the corporation's torts committed in violation of the patent laws if they "personally took part in the commission of the tort or specifically directed other officers, agents or employees of the corporation to commit the tortious act." *Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*, 806 F.2d 1565, 1579 (Fed. Cir. 1986), *accord Sensonics, Inc. v. Aerosonic Corp.*, 81 F.3d 1566, 1575 (Fed. Cir. 1996); *Fromson*, 886 F.2d at 1304, *Water Techs. Corp. v. Calco, Ltd.*, 850 F.2d 660 (Fed. Cir. 1988). In this case, Nelson was personally responsible for the tortious conduct that led to the Plaintiff corporation's liability. Therefore, he is subject to personal liability for that conduct,

Plaintiff has not demonstrated undue delay, undue prejudice, or any other of the enumerated *Fomon* factors that counsel against permitting amendment of a party's complaint. Plaintiffs have argued, however, that Defendants have not shown that justice demands permitting Defendants to amend their third-party complaint to add Nelson as a third-party defendant because Defendants have not presented sufficient admissable evidence from which the Court can find that Defendants would be unable to satisfy the judgment by looking to the Plaintiff corporation. The sole record evidence relating to the Plaintiff corporation's ability to satisfy the judgment is the letter from Plaintiff's counsel stating that the corporation will be unable to pay anything more than a nominal amount.

Plaintiff argues that the letter is inadmissable under Fed. R. Evid. 408, which makes statements made in settlement or compromise negotiations inadmissable to prove the validity or amount of a party's claim. Rule 408 is inapposite to this motion. Neither the validity nor the amount of Defendants' claim is in dispute; the Court has already determined that Defendant is entitled to attorney fees and costs in the total amount of $178,888.51 plus interest. The only issue is whether the Plaintiff corporation will be able to satisfy that judgment. Nothing in the Federal Rules of Evidence makes Plaintiff's counsel's letter inadmissable for that purpose. That letter indicates that the Plaintiff corporation will not be collectible

beyond a nominal amount. Plaintiff has presented nothing to rebut that evidence. Therefore, the Court finds that Defendants have shown they are unlikely to be able to collect the judgment in their favor if their motion to amend is not granted.

III. CONCLUSION

For the foregoing reasons, the Court finds that justice demands permitting Defendants to amend their third-party complaint to add Nelson as a third-party defendant, and to amend the judgment in this action to include Nelson as an additional party against whom judgment is entered. Pursuant to Fed. R. Civ. P. 15(c), such amendment relates back to the filing of the original third-party complaint for statute of limitations purposes. Defendants' motion to amend is granted.

IT IS SO ORDERED.

/s/ DAVID A. KATZ
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
WESTERN DIVISION

(Dated March 25, 1998)

OHIO CELLULAR PRODUCTS CORPORATION,

Plaintiff, Case No. 3:94 CV 7251

vs. JUDGMENT ENTRY

ADAMS USA, INC., *et al.*,

Defendants.

KATZ, J.

For the reasons stated in the Memorandum Opinion filed contemporaneously with this Judgment Entry, IT IS HEREBY ORDERED, ADJUDGED and DECREED that Plaintiff Donald E. Nelson's motion to alter or amend judgment (Doc. No. 133) is denied.

/s/ DAVID A. KATZ
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
WESTERN DIVISION

(Dated March 25, 1998)

OHIO CELLULAR PRODUCTS CORPORATION,

Plaintiff,

vs.

ADAMS USA, INC., *et al.*,

Defendants.

Case No. 3:94 CV 7251

MEMORANDUM OPINION
(Resolves Doc. No. 133)

KATZ, J.

This matter is before the Court on Plaintiff Donald E. Nelson's motion to alter or amend this Court's March 25, 1998 judgment naming Nelson as a third-party defendant, and amending the judgment to include Nelson as an additional party against whom judgment is entered. For the following reasons, Plaintiff's motion will be denied.

I. BACKGROUND

Plaintiff Ohio Cellular Products Corporation ("OCP") brought this patent infringement action against Defendants on May 19, 1994. In a judgment rendered on October 11, 1995, this Court found that the patents OCP sought to enforce against Defendants were invalid, and granted Defendants' motion for summary judgment. That finding was subsequently affirmed by the Court of Appeals for the Federal Circuit.

Defendants then moved for attorney fees on the dual grounds that OCP engaged in equitable conduct before the Patent and Trademark Office ("PTO"), and that OCP engaged in vexatious and/or unjustified litigation. In a judgment rendered on February 12, 1997,

and reaffirmed on September 25, 1997, this Court granted the motion for attorney fees on the sole ground that OCP had engaged in inequitable conduct before the PTO. That finding was grounded in a factual determination that OCP's president and sole shareholder, Donald Nelson, had intentionally failed to disclose to the PTO the existence of a material piece of prior art, Patent No. 4,524,037, held by Michel Marc. On January 20, 1998, this Court awarded Defendants a total of $178,888.51 in attorney fees, exclusive of interest.

Defendants had attempted to negotiate the amount of attorney fees prior to filing their fee petition. In connection with those negotiations, Nelson informed Defendants that he would liquidate OCP to avoid paying anything more than a nominal amount of attorney fees. Defendants then moved to amend the judgment to name Nelson as an additional party against whom fees could be collected, on the ground that if Nelson were not subjected to individual liability Defendants would be unable to collect all or most of the fees owed them.

By Memorandum Opinion and Judgment entered on March 25, 1998, this Court granted Defendants' motion. In holding that Nelson could be named as an additional party, this Court found (1) that Nelson had personally engaged in inequitable conduct before the PTO that could subject him to individual liability; (2) that Nelson had a near-complete identity of interest with OCP; and (3) that Nelson could be personally liable for OCP's torts committed in violation of the patent laws since he had personally taken part in the commission of those torts.

On April 8, 1998, Nelson filed a motion to alter or amend judgment, in which he raised a number of new arguments against the imposition of fees against him. Defendants have filed a response to that motion, and Nelson has replied thereto The Court discusses the parties' contentions below.

II. DISCUSSION

The purpose of a motion to alter or amend judgment under Fed.

R. Civ. P. 59(e) is to have the court reconsider matters "properly encompassed in a decision on the merits." *Osterneck v Ernst and Whinney*, 489 U.S. 169, 174 (1988). This rule gives the district court the "power to rectify its own mistakes in the period immediately following the entry of judgment." *White v. New Hampshire Dept. of Employment Security*, 455 U.S. 445, 450 (1982). Generally, there are three major situations which justify a district court altering or amending its judgment: "(1) to accommodate an intervening change in controlling law; (2) to account for new evidence not available at trial; or (3) to correct a clear error of law or to prevent a manifest injustice." *In re Continental Holdings, Inc.*, 170 B.R. 919, 933 (Bankr. N.D. Ohio 1994); *Braun v. Champion Credit Union*, 141 B.R. 144, 146 (Bankr. N.D, Ohio 1992), *aff'd*, 152 B.R. 466 (N.D. Ohio 1993); *In re Oak Brook Apartments of Henrico County, Ltd.*, 126 B.R. 535, 536 (Bankr. S.D. Ohio 1991). It is not designed to give an unhappy litigant an opportunity to relitigate matters already decided; nor is it a substitute for appeal. *Dana Corp. v. United States*, 764 F. Supp. 482, 488-89 (N.D. Ohio 1991); *Erickson Tool Co. v. Balas Collet Co.*, 277 F. Supp. 226 (N.D. Ohio 1967), (*aff'd*, 404 F.2d 35 (6th Cir. 1968).

Nelson does not here allege any intervening change in controlling law or that evidence has newly become available to him. Rather, he is attempting to raise new arguments which he did not make in his original opposition to Defendants' motion. A motion for reconsideration is not a vehicle whereby a party may present arguments inexplicably omitted from the prior proceedings in order to gain a "second bite at the apple." *See Karr v. Castle*, 768 F. Supp. 1087, 1093 (D. Del. 1991). That is not a basis upon which this Court will reconsider a prior determination.

Furthermore, the Court has reviewed the new arguments Nelson attempts to raise, and has determined that they are not meritorious. Nelson first argues that 35 U.S.C. § 285, the statute permitting awards of attorney fees to the prevailing party in patent litigation, does not expressly authorize an award of attorney fees against one who engaged in inequitable conduct on behalf of a corporation before the PTO.

Nelson's first contention is erroneous. It is blackletter patent law that a party's inequitable conduct before the PTO can form the basis of an award of attorney fees against that party. *See, e.g., Bayer Aktiengesellschaft v. Duphar Int'l Research B.V.*, 738 F.2d 1237, 1242 (Fed. Cir. 1984): It is also clear that a corporation's officer is personally liable for the corporation's torts committed in violation of the patent laws if he personally took part in the commission of the tort. *Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*, 806 F.2d 1565, 1579 (Fed. Cir. 1986).

Nelson also argues that he cannot be liable for attorney fees because he is not a party to this action. Nelson's second contention misconstrues—indeed, ignores altogether—the import of this Court's May 25, 1998 ruling. Nelson *is* a party to this action. Since May 25, 1998, he has been a properly named third-party defendant against whom liability has been entered. Pursuant to Fed. R. Civ. P. 15(c), the amendment to Defendants' third-party complaint relates back to the filing of the original third-party complaint. Since Nelson is a party to this action, who personally participated in the inequitable conduct before the PTO that gave rise to an award of attorney fees, and he has failed to show any reason that he would be unduly prejudiced by an award of fees against him, it is proper to hold him individually liable for those fees.

III. CONCLUSION

Accordingly, Plaintiff Donald E. Nelson's motion to alter or amend judgment is denied.

IT IS SO ORDERED.

/s/ DAVID A. KATZ
UNITED STATES DISTRICT JUDGE